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Follow-up of Performance and Compliance Reports

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OFFICE OF THE
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The Honourable Bill Hartley
Speaker of the Legislative Assembly
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
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Sir:

I have the honour to transmit herewith to the Legislative Assembly of British Columbia my 2000/2001: Report 3 on the Follow-up of Performance and Compliance Reports.

Wayne Strelioff

Wayne K. Strelioff, CA
Auditor General

Victoria, British Columbia
December 2000

copy: Mr. E. George MacMinn, Q.C.
Clerk of the Legislative Assembly

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Follow-up of Performance and Compliance Reports

Auditor General's Comments

I am pleased to present the results of my Office's follow-up work on eight performance reports and two compliance reports. The work was carried out this year to October 31, 2000.

We perform follow-up reviews to provide the Legislative Assembly and the public with an update on the progress made by management in implementing our recommendations.

These recommendations are designed to improve public sector performance, and are an important value-added component of my Office's work. In prior years my practice was to conduct my follow-up work annually in time to issue a report in the spring. In cases where significant recommendations had not been substantially implemented at the time of our initial follow-up, we carried out further follow-up work in subsequent years.

Early this year, the Public Accounts Committee and my Office agreed on a new process for follow-up reviews (Appendix A). Under this new approach, the timing of follow-up work will be linked to the Public Accounts Committee's review of my reports. After the committee has reviewed a report, a follow-up of that report is to be completed six months after the committee's review.

Semi-annually, the follow-up work completed is to be assembled into a report for the Legislative Assembly. This is the first of these new reports. Each follow-up report contained within has already been provided to the Public Accounts Committee for review. We followed the same approach to completing our follow-up reviews as we had in the past.

Our approach was to ask management of the organizations with responsibility for the matters examined in the reports to provide us with written reports describing action taken with respect to the recommendations. My staff then reviewed these reports to determine if the information reported, including an assessment of the progress made in implementing the recommendations, was presented fairly in all significant respects (Appendix C). For each report we reviewed, we concluded that it was.

In this report, we provide a summary of each of the original reports and our overall conclusions from them, a summary of the implementation status of the recommendations and the recommendations requiring further follow up for each, followed by each organization's response to our request for an accounting of progress.

I am pleased that some action has been taken to implement most of the recommendations (Appendix B). I encourage the government organizations concerned to complete the implementation of these recommendations as I believe it is important that they be implemented on a timely basis.

I wish to express my appreciation to the staff and executives involved for their cooperation in preparing the follow-up reports, providing the appropriate documentation and assisting my staff throughout the review process.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

Victoria, British Columbia
December 2000

Introduction

This report provides information about the extent to which the recommendations arising from the performance and compliance reports issued between 1996 and 1999 have been implemented by the organizations responsible. For some of the reports, the information represents a second or third follow-up of our original report.

The performance reports were:

- Social Housing:
  The Governance of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation;
  The Management of Social Housing Subsidies
  (1999/2000 Report 8)
- Forest Renewal BC:
  Planning and Accountability in the Corporation;
  The Silviculture Programs
  (1999/2000 Report 6)
- Ministry of Environment, Lands and Parks, and other ministries
  Protecting Drinking-Water Sources
  (1998/99 Report 5)
- Executive Severance Practices: Government Ministries and Crown Corporations
  (1996/97 Report 8)
  second follow-up
- Insurance Corporation of British Columbia
  Trucking Safety
  (1996/97 Report 4)
  third follow-up
- Ministry of Transportation and Highways
  Vancouver Island Highway Project:
  Planning and Design
  (1996/97 Report 3)
  second follow-up

- Crown Corporation Governance Study
  (1996/97 Report 2)
  second follow-up
- Ministry of Finance and Corporate Relations
  Revenue Verification for the Social Service Tax
  (1995/96 Report 4)
  second follow-up

The compliance reports were:

- Ministry of Finance and Corporate Relations
  Loss Reporting in Government
  (1997/98 Report 4)
- Ministry of Attorney General
  Motor Dealer Act
  (1997/98 Report 4)

Our approach was to ask management of each of the government organizations with responsibility for the matters examined in our original reports to provide us with a written report describing their progress in implementing the recommendations. For some of the reports receiving a further follow-up, we included only significant recommendations that had not been substantially implemented at the time of our initial follow-up.

We sent our requests to management for follow-up information between May and August 2000. We reviewed each of the written responses we received to ascertain whether they were factually correct and fair. Our objective was to assess whether the progress being reported was plausible in the circumstances (Appendix C).

These examinations were reviews rather than audits and so they provide a moderate rather than a high level of assurance. They were, however, all carried out in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted of enquiry, document review, and discussion.

Office of the Auditor General of British Columbia

Information provided to the Select Standing Committee
on Public Accounts regarding
the follow-up of recommendations in

1999/2000 Report 8:
Social Housing:

The Governance of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation

The Management of Social Housing Subsidies

October 2000

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

This is our report on our October 2000 follow-up of the recommendations contained in our 1999/2000 Report 8 Social Housing: The Governance of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation; The Management of Social Housing Subsidies.

Information as to the status of outstanding recommendations was provided to us by the British Columbia Housing Management Commission as of August 31, 2000. We reviewed the response in September and October 2000.

We have reviewed the representations provided by the British Columbia Housing Management Commission regarding progress in implementing the recommendations that were outstanding. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the British Columbia Housing Management Commission's progress report does not present fairly, in all significant respects, the progress made in implementing the recommendations contained in our 1999/2000 report.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

October 20, 2000

Summary of Original Report on Social Housing: The Governance of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation

Audit Purpose and Scope

The audit purpose was to assess whether the governance relationships and practices with respect to the British Columbia Housing Management Commission (BC Housing) and the Provincial Rental Housing Corporation (PRHC) are sound. Specifically, we examined:

- how well the roles and responsibilities of those involved in the governance of these two agencies are defined and understood;
- how effectively direction is communicated to the agencies by those involved in their governance; and
- whether the two agencies are being properly accountable for their performance to their stakeholders.

We focused primarily on the relationships and practices in place during March to December, 1998. We also considered the relationships with other stakeholders. For example, BC Housing administers projects that are funded jointly with the federal Canada Mortgage and Housing Corporation (CMHC). As well, it administers group homes for which operations are funded by various British Columbia government ministries, such as the Ministry of Health. These organizations therefore have an interest in the operations of BC Housing. In preparing our report, we discussed our findings and conclusions with BC Housing and with the Ministry of Social Development and Economic Security.

Subsequent Event

On July 21, 1999, a cabinet reorganization took place that affected roles and responsibilities for social housing.

Responsibility for housing, including social housing, that previously resided with the Minister of Employment and Investment was reassigned to the Minister of Social Development and Economic Security, who led a newly-created ministry of that name. The boards of BC Housing and PRHC were to report to this minister as of July 21, 1999. The new ministry was also given responsibility for housing policy development that had been previously carried out at the Ministry of Municipal Affairs.

Since this reorganization occurred after we had substantially completed our evidence gathering and analysis, we did not describe in our original report these events or their potential effect on the issues we raised.

...continued

Continued...

Overall Conclusion

The effectiveness of the governance of BC Housing and PRHC was at risk, due to a lack of clarity and definition of the roles and responsibilities of those involved in the governance and to weaknesses of some of the governance practices.

There were three main issues.

First, the roles and responsibilities of key parties to the governance process needed to be more clearly defined and understood. This was particularly so for the respective roles of the chair, board and general manager of BC Housing itself. And in the case of PRHC, the governance structure was inappropriate, in that it gave the board of BC Housing only a limited voice in protecting its interest in PRHC decisions concerning developments that BC Housing manages or subsidizes on behalf of the taxpayers.

Second, while the government had prepared good written plans setting out its broad objectives for social housing, the board of BC Housing had generally played up to then a limited role in providing the commission with direction for interpreting and implementing these plans. This had made it difficult for the board to play an effective role in overseeing the commission's affairs and monitoring its performance.

Third, while the accountability of PRHC was adequate in the light of its limited operating functions, that of BC Housing required improvement, both in regard to the timeliness of its statutory reporting and the nature and extent of the information it provided about its planned and actual performance. Further, neither BC Housing nor any other government agency was reporting information that would have assisted legislators and others understand the current state of the social housing sector in British Columbia.

These deficiencies in reporting had occurred primarily because the prerequisites to good accountability had not been in place. Roles and responsibilities of those involved in governance needed to be more clearly defined; measurable objectives and performance targets had still to be established, and an adequate performance measurement framework for monitoring results had to be completed. A contributing factor to this situation had been the limited role played by past boards in developing strategic and business plans for the commission, identifying information needs, and finalizing a performance measurement system that was integrated with its strategic plan.

The board and management of both agencies recognized that improvements in governance were needed. The board of BC Housing had created a governance committee that was in the process of identifying board priorities for strengthening the governance arrangements surrounding the agencies.

Summary of Status of Recommendations

The Governance of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation

Recommendations of the Office of the Auditor General of British Columbia

Original Issue Date: November 1999
Year Followed Up: 2000

Summary of status at October 2000	OAG	PAC
Total Recommendations	**15**	**N/A**
Fully Implemented	10	N/A
Partially Implemented	4	N/A
Alternative Action	1	N/A
No Action	–	N/A

Note: The Select Standing Committee on Public Accounts has not yet finalized its report on Social Housing. There are therefore currently no PAC recommendations to follow up.

Recommendations and Their Status

The Governance of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation

Recommendations of the Office of the Auditor General of British Columbia

Number of recommendations in the original report 15
Recommendations requiring further follow-up 5

Partially Implemented Recommendations

Recommendation 3:

We recommend that the government review and finalize ministry roles and responsibilities as soon as is practicable to ensure that the minister responsible for housing has sufficient and timely support for developing policy. The government should communicate the roles and responsibilities to all affected parties in ministries, BC Housing and PRHC and to those who serve on such supporting groups as the Housing Advisory Council. At the same time, the government should review housing legislation to make it as coherent and current as possible.

Recommendation 7:

We recommend that the government identify the governance and operational structure that will enable PRHC's activities to be carried out most cost-efficiently and effectively, while recognizing BC Housing's interest in PRHC's operations.

Recommendation 8:

We recommend that BC Housing strongly encourage its ministry, local government and non-profit partners to consult the commission in assessing the impact of any proposed reassignment of responsibility for special needs groups that involves a shelter component.

Recommendation 13:

We recommend that the minister responsible and the board of BC Housing decide what information should be reported with respect to the performance of the social housing sector and how best to collect that information. If BC Housing is considered to be the most appropriate agency to collect the information, then reporting expectations should be made clear to it.

Recommendation for which alternative action has been taken

Recommendation 1:

We recommend that the government take appropriate action to enable Members of the Legislative Assembly to consider the recommendations in the "Second Report of the Select Standing Committee on Public Accounts" (January 1996) regarding the information and oversight needs of the Legislative Assembly.

Detailed Status Report on the Recommendations Contained in the Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation

Office of the Auditor General of British Columbia Recommendation	Implementation Status	Assigned To	Target Completion Date
Roles and Responsibilities: Recommendations 1– 8			
Recommendation 1: We recommend that the government take appropriate action to enable the Members of the Legislative Assembly to consider the recommendations in the "Second Report of the Select Standing Committee on Public Accounts" (January, 1996) regarding the information and oversight need of the Legislative Assembly.	*Implementation Status: Alternative Action* As discussed at the presentation to the Select Standing Committee on Public Accounts in March 2000, we believe that this is a recommendation to that Committee and has broader implications across government.	Government	N/A
Recommendation 2: We recommend that BC Housing liaise with the Crown Corporation Secretariat to keep up-to-date on the latest governance developments in the Crown Corporation sector.	*Implementation Status: Fully Implemented* Continuing contact has been established with the Crown Corporation Secretariat (CCS) and will continue to be a priority. Ongoing contact and information sharing between the Board of Commissioners and CCS staff has enabled the Board to be kept apprised of current governance practices such as the requirements for the development of multi-year performance plans and annual reports being developed by the CCS. Secretariat staff met with the Board in the Spring 1999 and the Spring of 2000 to provide an overview of current governance practices including standards of ethical conduct. In addition, earlier this Spring, CCS staff met with the Governance Committee, a standing Committee of the Board, to discuss Governance best practices and to provide the Committee with input into the Board Governance Manual which had been developed. New members of the Board are scheduled to attend an orientation for Crown Corporation Board members presented by the CCS.	Board of Commissioners, Chair's Office	Implementation: Ongoing Meeting with Board and CCS staff in the Spring of 1999 to discuss current governance practices including standards of ethical conduct. Meeting with the Board's Governance Committee and CCS staff in the Spring of 2000 to discuss current governance practices and to provide input into the Governance Manual. New members of the Board to attend a Board orientation session on October 26, 2000.

Detailed Status Report on the Recommendations Contained in the Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation

Office of the Auditor General of British Columbia Recommendation	Implementation Status	Assigned To	Target Completion Date
Recommendation 3: We recommend that the government review and finalize ministry roles and responsibilities as soon as is practicable to ensure that the minister responsible for housing has sufficient and timely support for developing policy. The government should communicate the roles and responsibilities to all affected parties in ministries, BC Housing, and PRHC and to those who serve on such supporting groups as the Housing Advisory Council. At the same time, the government should review housing legislation to make it as coherent and current as possible.	*Implementation Status: Partially Implemented* As noted in the presentation from the Office of the Auditor General, at the time of the review, the assignment of housing responsibilities was in a state of transition with two Ministries—the Ministry of Employment and Investment and the Ministry of Municipal Affairs having some responsibility for housing/housing policy. However, since then a number of changes have taken place, which have helped to clarify matters. For example, housing policy and social housing operations have been re-integrated under one Minister who has responsibility for both the provincial housing policies and for social housing and social housing operations. This was an important development which makes it much easier to address some of the concerns raised in the Auditor General's report. More recently, Kaye Melliship, Assistant Deputy Minister of the Ministry of Social Development and Economic Security has been appointed by Order-in-Council to BC Housing's Board of Commissioners. This will build on existing relationships and strengthen communications with the Ministry. BC Housing senior management continue to work with the Ministry responsible for housing to review the current housing legislation. Preliminary work leading up to potential housing legislation has been ongoing. The focus of this work has been on improving the legislative framework for	Chair's Office, Executive Office, Ministry responsible for housing	Implementation: Ongoing The creation of the Ministry of Social Development and Economic Security and the integration of housing policy and responsibility for BC Housing under one Minister (July 1999). A/Executive Director of the Housing Development Division in the Ministry of Social Development and Economic Security appointed to BC Housing's Board of Commissioners June 7, 2000. BC Housing and the Ministry responsible for housing are working towards housing legislation being considered during the spring legislative session. ...continued

Detailed Status Report on the Recommendations Contained in the Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation

Office of the Auditor General of British Columbia Recommendation	Implementation Status	Assigned To	Target Completion Date
Continued . . .	the effective delivery of both housing policy and the provision of housing programs and services. At this time, it seems that the spring legislative session would be the first opportunity for such legislation to be considered.		
Recommendation 4: We recommend that the board of BC Housing clearly define its role, seek approval for that role from the minister responsible and then work to remove the impediments that have affected its ability to play an effective role in governance.	*Implementation Status: Fully Implemented* A Board Governance Manual has been developed and adopted by the Board of Commissioners. The Manual has also been formally presented to the Honourable Jan Pullinger, Minister of Social Development and Economic Security and Minister responsible for housing. The Manual is the product of a major initiative by the Board's Governance Committee and was undertaken to ensure that the roles and responsibilities as well as the establishment of clear accountabilities are defined for BC Housing. A consultative process was used in the development of this Manual. The process included discussions with senior management, a review of selected parts of the manual by internal and external legal council as well as several discussions on governance best practices with the Crown Corporations Secretariat including their formal review of the document. The advice and suggestions provided the Governance Committee with a solid foundation from which to formulate the governance framework for the Commission.	Board of Commissioners, Board Governance Committee	Implementation: Ongoing Governance Manual received final approval by BC Housing's Board of Commissioners at their meeting on June 10th, 2000. Governance Manual was formally presented to the Minister responsible for housing on June 22, 2000. The Governance Committee is committed to periodic review of the Manual and to ensuring that the processes and guidelines are in keeping with the continuing and emerging priorities of BC Housing and the government.

...continued

Detailed Status Report on the Recommendations Contained in the Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation

Office of the Auditor General of British Columbia Recommendation	Implementation Status	Assigned To	Target Completion Date
Continued . . .	The Manual contains guidelines and terms of reference for the Board and its Committees, the Board Chair, Commissioners and the Chief Executive Officer. The Manual also clearly articulates Board Ethics and a Code of Conduct that includes conflict of interest guidelines. As defined in the Board Governance Manual and supported by the Minister, the Board has taken an active role in ensuring that the strategic directions as outlined in the Commission's Corporate Plan are implemented. The Governance Manual is available for review and will be updated on a regular basis as required.		
Recommendation 5: We recommend that the Minister responsible assess whether the General Manager of BC Housing should continue to hold positions in government ministries and in the Provincial Rental Housing Corporation and, if not, remove these positions from the General Manager's responsibilities.	*Implementation Status: Fully Implemented* In March 1999, there was a change in senior management within BC Housing. The new Chief Executive Officer was not appointed as Assistant Deputy Minister. The Board Governance Manual contains guidelines and terms of reference for the Board, the Chair and the Chief Executive Officer. This includes the appointment of the Chair as President of Provincial Rental Housing Corporation (PRHC). The CEO continues to participate on the Board of Directors of PRHC as a director as opposed to Chair as was the previous governance structure. See Implementation Status for Recommendation #7 for further details.	Board of Commissioners, Board Governance Committee, Executive Office	Implementation: Completed Governance Manual received final approval by BC Housing's Board of Commissioners at their meeting on June 10th, 2000. Appointment of the Chair as President of PRHC on April 29, 2000.

Detailed Status Report on the Recommendations Contained in the Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation

Office of the Auditor General of British Columbia Recommendation	Implementation Status	Assigned To	Target Completion Date
Recommendation 6: We recommend that the Board of BC Housing clarify the roles and responsibilities of the chair and general manager and that it communicate this clarification to management.	*Implementation Status: Fully Implemented* The Board Governance Manual outlines the roles and responsibilities of the Board, Chair and Chief Executive Officer. All parties were involved with the development of the manual. See Implementation Status for Recommendation #4 for further details.	Board of Commissioners, Board Governance Committee, Executive Office	Implementation: Completed Manual received final approval by BC Housing's Board of Commissioners at their meeting on June 10th, 2000.
Recommendation 7: We recommend that the government identify the governance and operational structure that will enable PRHC's activities to be carried out most cost-efficiently and effectively while recognizing BC Housing's interest in PRHC operations.	*Implementation Status: Partially Implemented* Following a series of reports to the Board of Commissioners exploring a range of possible alternatives, the Board adopted the following motion at the meeting on April 29, 2000: That an Interim Development Committee of BC Housing be established to carry out all development approvals. BC Housing will ask the Minister as sole shareholder of PRHC to appoint the same persons as PRHC's Board of Directors. The following persons will be members, all by virtue of their position at BC Housing: ▪ the Acting CEO; ▪ the Chair; ▪ the Director of Development Service; ▪ the Director of Regional Operations; and ▪ the Chief Financial Officer. The officers of PRHC will consist of the Chair as President and the Legal Assistant as Corporate Secretary.	Board of Commissioners, Executive Office	Implementation: Ongoing Proposed structure adopted by the Board on April 29, 2000. Chair and senior management continue to work toward legislative changes. ...continued

Detailed Status Report on the Recommendations Contained in the Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation

Office of the Auditor General of British Columbia Recommendation	Implementation Status	Assigned To	Target Completion Date
Continued . . .	This recommended change in structure has been presented and agreed upon by the Minister who is the sole shareholder of PRHC. These changes allow for greater integration in the decision making between BC Housing and PRHC. The latest version of the draft legislation in which BC Housing and PRHC would become one entity has been reviewed by BC Housing's senior management. BC Housing senior management will continue to work with the Ministry to finalize such legislation and work toward it being considered in an appropriate legislative session as soon as possible.		
Recommendation 8: We recommend that BC Housing strongly encourage its Ministry, local government and non-profit partners to consult the commission in assessing the impact of any proposed reassignment of responsibility for special needs groups that involves a shelter component.	*Implementation Status: Partially Implemented* The responsibility for the provision of emergency shelters has been under review for some time. Most recently, a discussion paper was prepared by the Housing Policy Section of the Ministry of Social Development and Economic Security (SDES) outlining key factors to be considered for the possible extension of BC Housing's mandate to include the provision of emergency shelters which currently is the responsibility of the Employment and Benefits Division of SDES. This discussion paper was provided to ShelterNet BC, the provincial network of emergency shelter providers in July 2000. A meeting will be held in early September between representatives of ShelterNet BC, BC Housing, and the Housing Policy Section and the Employment & BC Benefits Division of SDES	Board of Commissioners, Executive Office, Client Service Branch, Research and Corporate Planning & Housing Policy Section of the Ministry of Social Development and Economic Security	Implementation: Ongoing Discussion paper provided to ShelterNet BC in July, 2000. The Deputy Minister is expected to make a decision on this transfer by the end of September, 2000.

...continued

Detailed Status Report on the Recommendations Contained in the Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation

Office of the Auditor General of British Columbia Recommendation	Implementation Status	Assigned To	Target Completion Date
Continued . . .	to discuss the transfer of the shelter mandate to BC Housing. The Deputy Minister is expected to make a decision on this transfer by the end of September. In addition, BC Housing is currently chairing the ADM's Special Needs Housing Committee to better co-ordinate the provision of housing for those with special needs.		
Direction: Recommendations 9 – 10			
Recommendation #9: We recommend that BC Housing expand the content of its strategic plan to identify how progress in pursuing the stated strategies will be measured. We also recommend that BC Housing continue to develop its business plans to give focus to establishing performance expectations and measuring results.	*Implementation Status: Fully Implemented* The Board met in May 1999 to begin to work towards the development of an integrated strategy and business plan for the Commission. The Corporate Plan for 1999/2000 was developed by the Board of Commissioners in collaboration with senior management and was adopted by the Board at their meeting in July 1999. The work done to date has formed the foundation for the 2000/2001 Corporate Plan that was adopted by the Board of Commissioners in March 2000. Building on the 2000/01 Corporate Plan, a multi-year business plan for 2000/01 to 2002/03, was also adopted by the Board in April 2000. The plan identifies key priorities and performance targets and has been included in this package for information.	Board of Commissioners, Chair's Office, Executive Office, Research and Corporate Planning	Implementation: Ongoing 1999/00 Corporate Plan adopted by the Board of Commissioners on July 29, 1999. 2000/01 Corporate Plan adopted by the Board of Commissioners on March 29, 2000. 2000/01 quarterly reporting framework adopted by the Board of Commissioners in July 2000.

...continued

Detailed Status Report on the Recommendations Contained in the Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation

Office of the Auditor General of British Columbia Recommendation	Implementation Status	Assigned To	Target Completion Date
Continued . . .	The Board has scheduled a planning session for October 20/21, 2000. This session will focus on ensuring that the Commission's Corporate Plan adheres to the guidelines set out by the Crown Corporations Secretariat. The 1999/00 Annual Report details the Commission's performance in achieving the targets set for 1999/2000.		Quarterly accountability reports submitted to the Board of Commissioners on a regular basis. Board planning session scheduled for October 20/21, 2000.
Recommendation 10: We recommend that the Board of BC Housing formally obtain the government's approval for the Board's interpretation of the Commission's mandate and strategic plan.	*Implementation Status: Fully Implemented* Both BC Housing's Corporate Plan and Governance Manual were formally presented to and accepted by the Honourable Jan Pullinger, Minister responsible for housing.	Chair's Office, Executive Office	Implementation: Completed BC Housing's 2000/01 Corporate Plan was presented to the Minister responsible for housing on March 31, 2000. Governance Manual was formally presented to the Minister responsible for housing on June 22, 2000.

Detailed Status Report on the Recommendations Contained in the Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation

Office of the Auditor General of British Columbia Recommendation	Implementation Status	Assigned To	Target Completion Date
Accountability: Recommendations 11 – 15			
Recommendation 11: We recommend that the Board of BC Housing ensure that the Commission's annual report is presented to the Minister responsible within the time limit imposed by the legislation.	*Implementation Status: Fully Implemented* BC Housing's 1999/00 Annual Report was formally presented to the Minister responsible for housing on July 28, 2000, thereby fulfilling the Commission's responsibilities within the time limit imposed by legislation.	Chair's Office, Executive Office, Research and Corporate Planning, Communications	Implementation: Completed BC Housing's 1999/00 Annual Report was presented to the Minister responsible for housing on July 28, 2000.
Recommendation 12: We recommend that BC Housing improve its public reporting by providing in its annual report information about: ▪ All key aspects of its performance (financial, organizational and program performance, legal compliance and fairness, equity and probity); ▪ Measurable objectives and targets (when the commission has completed its process for developing business plans); and, ▪ Historical performance.	*Implementation Status: Fully Implemented* The 1999/2000 Annual Report provides an overview of BC Housing's priorities for 1999/2000 and reports on the progress that the Commission has made in meeting the targets set out in the 1999/2000 Corporate Plan. The Annual Report also includes financial statements for the year 1999/00 and a summary of priorities for 2000/01. BC Housing's 1999/2000 Annual Report has been provided to the Office of the Auditor General.	Board of Commissioners, Chair's Office, Executive Office, Research and Corporate Planning, Communications	Implementation: Ongoing BC Housing's 1999/00 Annual Report was presented to the Minister responsible for housing on July 28, 2000. Ongoing effort will be made to ensure that the Commission continues to meet its legislated requirements.

Detailed Status Report on the Recommendations Contained in the Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation

Office of the Auditor General of British Columbia Recommendation	Implementation Status	Assigned To	Target Completion Date
Recommendation 13: We recommend that the Minister responsible and the Board of BC Housing decide what information should be reported with respect to the performance of the social housing sector and how best to collect that information. If BC Housing is considered to be the most appropriate agency to collect the information, then reporting expectations should be made clear to it.	*Implementation Status: Partially Implemented* At the Board planning session in March 2000, the Board identified the following strategic priorities: ▪ Developing a research capability to better understand local housing needs and support the development of a range of options; ▪ Encouraging partnerships with community resources outside of the housing site to promote economic, mental and physical well-being of tenants: and ▪ Continuing our commitment to enhancing our role as a social housing landlord. In support of these priorities and in keeping with the commitments made at the presentation to the Select Standing Committee on Public Accounts in March 2000, a number of major research initiatives are under way including: ▪ an examination of the benefits for social housing; and ▪ an evaluation of the benefits to arise from the decision to purchase the Sunrise and Washington hotels. Copies of the Terms of References were submitted to the Select Committee on Public Accounts earlier this year. Copies of the final reports and suggested directions with respect to next steps are expected to be completed later in the Fall.	Board of Commissioners, Executive Office, Research and Corporate Planning	Implementation: Ongoing Identified as a strategic priority at the Board planning session in March, 2000. Study Terms of Reference presented the Select Standing Committee on Public Accounts on June 30, 2000. Copies of the final reports and suggested directions are expected to be completed in the Fall of 2000.

Detailed Status Report on the Recommendations Contained in the Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation

Office of the Auditor General of British Columbia Recommendation	Implementation Status	Assigned To	Target Completion Date
Recommendation 14: We recommend that the Board of BC Housing identify its information needs as soon as possible to enable it to monitor the organization's performance effectively.	*Implementation Status: Fully Implemented* The accountability/reporting framework, which was adopted by the Board at their meeting in July 1999, has provided a foundation from which to build a solid accountability/reporting framework. Through the Corporate Planning process, BC Housing has been actively working to establish an integrated planning, reporting and budgeting cycle that is in keeping with the expectation of all government agencies. The accountability/reporting framework is an internal management tool designed to provide the Board of Commissioners and senior management with operational and financial information on key business activities on a regular and on-going basis and is designed to help track the overall performance of the Commission in meeting the key strategic priorities identified in the Corporate Plan.	Board of Commissioners, Chair's Office, Executive Office, Research and Corporate Planning	Implementation: Ongoing Board of Commissioners adopted BC Housing's accountability/reporting framework in July 1999.
Recommendation 15: We recommend that the Commission proceed as quickly as is practicable with the finalization and implementation of its performance measurement framework. In this regard, the Board of BC Housing should satisfy itself that the framework provides an appropriate basis for the Commission to demonstrate its performance in the context of the government's overall social housing objectives.	*Implementation Status: Fully Implemented* As discussed above, this has been addressed through the development of the accountability/reporting framework which was adopted by the Board of Commissioners in July 1999. The Board of Commissioners adopted a revised quarterly accountability/reporting framework in June 2000. The revisions which were made reflect the key strategic priorities set by the	Board of Commissioners, Chair's Office, Executive Office, Research and Corporate Planning	Implementation: Ongoing The Board adopted BC Housing's accountability/reporting framework in July 1999.

...continued

Detailed Status Report on the Recommendations Contained in the Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation

Office of the Auditor General of British Columbia Recommendation	Implementation Status	Assigned To	Target Completion Date
Continued . . .	Board for 2000/01 and allow the Board and senior management to track the Commission's performance in meeting the targets which have been set in the multi-year plan.		A copy of the 4th quarter report for 1999/00 was submitted to the Select Standing Committee on Public Accounts as part of the June 30, 2000 package of materials. The first quarter report was received by the Board for information on July 22, 2000.

Summary of Original Report on Social Housing: The Management of Social Housing Subsidies

Audit Purpose

The audit purpose was to find out whether the processes used by the British Columbia Housing Management Commission (BC Housing) provided reasonable assurance that BC Housing paid social rental housing subsidies in the right amounts, in relation to agreed standards of service, and that the subsidies were used with due regard for economy and efficiency.

We examined the nature and extent of the subsidy verification, payment and monitoring processes used by BC Housing to see whether they provided reasonable assurance that:

- subsidies received by the sponsoring organizations were spent by them with due regard for economy and efficiency;
- the portion of the operating costs of the social housing units contributed by the tenants was correct;
- subsidies paid were properly authorized and correctly calculated; and
- sponsors provided the standards of service set out in the funding agreements.

Overall Conclusion

The nature and extent of BC Housing's verification, payment and monitoring processes provided reasonable assurance that subsidies were being paid in the right amounts and were being used economically and efficiently, and that agreed standards of service were being achieved. However, BC Housing's information systems did not readily capture the results of these processes in a way that enabled sponsor data to be aggregated, analyzed and evaluated. The commission was therefore not able to readily demonstrate that those sponsors that needed the most support were receiving priority over those that needed less, and to assess the extent to which improvements were being made in sponsor performance overall. Moreover, the lack of centralized sponsor information could have made it unnecessarily time-consuming for BC Housing officers to gather the information they needed to plan their reviews and other activities.

Summary of Status of Recommendations

The Management of Social Housing Subsidies

Recommendations of the Office of the Auditor General of British Columbia

Original Issue Date: November 1999
Year Followed Up: 2000

Summary of status at September 2000	OAG	PAC
Total Recommendations	**12**	**N/A**
Fully implemented	1	N/A
Partially implemented	11	N/A
Alternative Action	—	N/A
No Action	—	N/A

Note: The Select Standing Committee on Public Accounts has not yet finalized its report on Social Housing. There are therefore currently no PAC recommendations to follow up.

Recommendations and Their Status

The Management of Social Housing Subsidies

Recommendations of the Office of the Auditor General of British Columbia

Number of recommendations in the original report	12
Recommendations requiring further follow-up	11

Partially Implemented Recommendations

Reviews of Controllable Costs

Recommendation 1:

We recommend that BC Housing use external cost comparisons in the budgetary review process. The commission should, for example, conduct more detailed analyses of cost elements affecting most sponsor budgets so that it can determine ways of more formally comparing costs of developments that have similar operating circumstances.

Recommendation 2:

We recommend that BC Housing develop guidelines for budget approval based on criteria using percentages or dollar-value increases from prior years' budgets. This would enable the commission to identify inefficiencies or uneconomic operations more effectively than it can by relying solely on per-unit-per-month values.

Recommendation 3:

We recommend that BC Housing ensure that the most current financial information is used in the budget review process.

Recommendation 4:

We recommend that BC Housing record and accumulate information gathered in the financial review process in a way that assists all staff of BC Housing to direct their efforts toward those sponsors most in need of support.

Mortgage Negotiations

Recommendation 5:

We recommend that BC Housing supplement its existing mortgaging expertise by securing access to specialist advice for periodically confirming the suitability of the commission's mortgaging strategies and for advice on specific issues.

Recommendation 6:

We recommend that BC Housing confirm the appropriateness of its performance measures and its targets for mortgaging activities by comparing them with housing and similar agencies in other jurisdictions.

Replacement Reserves

Recommendation 7:

We recommend that BC Housing improve the administration and control over replacement reserves by:

- periodically confirming that its funding model for replacement reserves continues to provide the most efficient and effective way of funding capital replacement in social housing developments.
- periodically reviewing the continued validity of the assumptions included in its funding model for replacement reserves. In particular, the commission should specifically account for the effects of inflation on the cost of replacing capital assets and of interest earned on the invested assets of the replacement reserves, as these no longer appear to be an appropriate offset.
- monitoring more closely the relationship between the replacement values of assets covered by replacement reserves and the extent to which the reserves have been funded. This monitoring would enable BC Housing to identify and correct instances where overfunding either has occurred or is likely to occur in the future. BC Housing should also consider implementing the use of funding thresholds at a level less than 100% of covered assets, which would reduce subsidy requirements while still enabling needed capital replacements to be made on a timely basis.
- using its information systems more extensively to learn more about the usage of capital assets so that the commission can confirm that the estimated useful lives of the assets for funding purposes are determined as accurately as possible. As well, the systems should capture and report information about reserves that will enable the commission to monitor at differing levels of aggregation the extent to which reserves are funded.
- reviewing and changing as needed its investment policies for replacement reserve assets to ensure they provide the optimum blend of earnings potential, liquidity and risk.

Tenant Rental Contributions

Recommendation 8:

We recommend that BC Housing reduce the extent of its recalculation of tenant rents to a level that will provide it with reasonable assurance that tenant rents are materially correct for the purpose of calculating subsidies. The commission should also extrapolate the results of its testing for income loss from incorrect declarations of income and assets so that a conclusion can be made as to whether the likely total misstatement of tenant rent from this cause is at a level that the commission can accept.

Standards of Service

Recommendation 9:

We recommend that BC Housing record the results of operational reviews in a more uniform and comprehensive way so that they better disclose the extent to which sponsors are individually and collectively delivering an appropriate standard of service to tenants.

Recommendation 10:

We recommend that BC Housing ensure its information systems report the information about sponsors that property portfolio managers need to properly prioritize operational reviews. As well, BC Housing should ensure that the systems provide regional managers with information to allow them to assess whether the prioritization of reviews is appropriate and the reviews and follow-up are carried out on a timely basis.

Recommendation 12:

We recommend that BC Housing ensure that board members be present for the conduct of the operational reviews and to discuss the findings, and that commitments be obtained from the board of directors of the sponsors as to future remedial actions. The implementation of action plans should be monitored and documented by BC Housing's property portfolio managers.

Detailed Status Report on the Recommendations Contained in the Management of Social Housing Subsidies

Office of the Auditor General of British Columbia Recommendation	Implementation Status	Assigned To	Target Completion Date
Reviews of Controllable Costs: Recommendations 1 - 4			
Recommendation 1: We recommend that BC Housing use external cost comparisons in the budgetary review process. The commission should, for example, conduct more detailed analyses of cost elements affecting most sponsor budgets so that it can determine ways of more formally comparing costs of developments that have similar operating circumstances.	Implementation Status: In Progress BC Housing agrees that the use of external cost performance comparisons in reviewing sponsor operating budgets will assist in determining appropriateness of the expenditures and data from comparable external sources will be incorporated into budget approval guidelines. The Manageable Costs working group has reviewed the system of controls and discussed options with housing providers at consultation meetings on May 2 and June 26, 2000. Controls that were examined include benchmarking administration, maintenance and total costs, and providing average costs for budget categories. As well, the group reviewed potential opportunities to provide incentives to the housing sector to increase their overall level of efficiency. The housing sector has invited BC Housing to participate in a committee to develop guidelines for best management practices to encourage more efficient and effective use of resources. Further work is required to analyze sponsor budgets to compare costs, and develop and document a comprehensive process for budget review. BC Housing will establish a process and protocol with like jurisdictions to share sponsor cost information for comparable categories on an annual basis.	Program Operations Research and Planning Regional Operations	April 2001

Detailed Status Report on the Recommendations Contained in the Management of Social Housing Subsidies

Office of the Auditor General of British Columbia Recommendation	Implementation Status	Assigned To	Target Completion Date
Recommendation 2: We recommend that BC Housing develop guidelines for budget approval based on criteria using percentages or dollar-value increases from prior years' budgets. This would enable the commission to identify inefficiencies or uneconomic operations more effectively than it can by relying solely on per-unit-per-month values.	Implementation Status: In Progress BC Housing will incorporate the use of year over year percentage changes in sponsor operating budgets as part of the approval process. As part of the research for the Manageable Costs working group, average controllable operating cost tables by project type and geographic location have been provided. These assist BC Housing's property portfolio managers to provide a more thorough assessment of individual projects relative to group norms and to identify cases for further action. Further work is required to analyze sponsor budgets to compare costs, and a committee is reviewing guidelines for LIUS/HAR projects. A comprehensive process for budget review will be developed, documented and communicated to property portfolio managers.	Program Operations Research and Planning Regional Operations	April 2001
Recommendation 3: We recommend that BC Housing ensure that the most current financial information is used in the budget review process.	Implementation Status: In Progress Property portfolio managers are obtaining the sponsor's most current financial information for review prior to approving the annual operating budget. To ensure consistency throughout the portfolio, this process will be documented in the comprehensive process for budget review.	Regional Operations	October 2000

Detailed Status Report on the Recommendations Contained in the Management of Social Housing Subsidies

Office of the Auditor General of British Columbia Recommendation	Implementation Status	Assigned To	Target Completion Date
Recommendation 4: We recommend that BC Housing record and accumulate information gathered in the financial review process in a way that assists all staff of BC Housing to direct their efforts toward those sponsors most in need of support.	Implementation Status: In Progress The Financial Review working group is planning two consultation sessions with housing providers on the financial review process for Fall 2000. The system requirements and enhancements for the housing database will begin in January 2001 to capture information about sponsor performance necessary to assess society position in relation to risk and identify societies requiring assistance. In particular, the information collected manually during the financial review process on the priority ranking sheet and sponsor overview will be entered in the database to enable the identification of those sponsors most in need of support. In addition, information will be entered in a way that ensures that information and assessment is readily available to users.	Program Operations Computer Services	April 2001
Mortgage Negotiations: Recommendations 5 - 6			
Recommendation 5: We recommend that BC Housing supplement its existing mortgaging expertise by securing access to specialist advice for periodically confirming the suitability of the commission's mortgaging strategies and for advice on specific issues.	Implementation Status: In Progress BC Housing is proceeding to seek specialist advice as needed to confirm that the mortgaging strategies used are the most beneficial in terms of rates and attracting bidders. A Request for Proposal will be issued to secure on-going specialist advice in the Fall 2000.	Financial Services	November 2000

Detailed Status Report on the Recommendations Contained in the Management of Social Housing Subsidies

Office of the Auditor General of British Columbia Recommendation	Implementation Status	Assigned To	Target Completion Date
Recommendation 6: We recommend that BC Housing confirm the appropriateness of its performance measures and its targets for mortgaging activities by comparing them with housing and similar agencies in other jurisdictions.	Implementation Status: In Progress A survey for other jurisdictions has been developed and will be conducted in Fall 2000. The results will enable a comparison of the performance measures for mortgage rates for housing agencies in other jurisdictions to ensure that the standard of mortgage negotiations, currently set at 1–1.5 percentage points below residential mortgage rates, are set appropriately.	Financial Services	November 2000
Replacement Reserves: Recommendation 7			
Recommendation 7: We recommend that BC Housing improve the administration and control over replacement reserves by: ▪ periodically confirming that its funding model for replacement reserves continues to provide the most efficient and effective way of funding capital replacement in social housing developments. ▪ periodically reviewing the continued validity of the assumptions included in its funding model for replacement reserves. The commission should specifically account for the effects of inflation on the cost of replacing capital assets and of interest earned on the invested assets of the replacement reserves. ▪ monitoring more closely the relationship between the replacement values of assets covered by replacement reserves and the extent to which the reserves have been funded. This monitoring would enable BC Housing to	Implementation Status: In Progress The Computer Services department has designed an InHouse module to capture details of replacement reserve funding. Program Operations staff in the Client Services Branch has entered five years of replacement reserve data; data will be analyzed to determine whether current funding levels are appropriate and adjustments may result. The Replacement Reserve working group will meet with sponsor representatives in Fall 2000 to discuss funding levels and alternative approaches to establishing replacement reserves. The way the data is captured in information systems will be evaluated at the conclusion of this consultation process. The present framework for replacement reserve investments conforms to the CMHC guidelines. BC Housing will review investment policies for replacement reserve assets with an aim of broadening investment options to maximize earnings.	Program Operations Computer Services	January 2001

...continued

Detailed Status Report on the Recommendations Contained in the Management of Social Housing Subsidies

Office of the Auditor General of British Columbia Recommendation	Implementation Status	Assigned To	Target Completion Date
Continued . . . identify and correct instances where over-funding either has occurred or is likely to occur in the future. BC Housing should also consider implementing the use of funding thresholds at a level less than 100% of covered assets. ▪ using its information systems more extensively to learn more about the usage of capital assets so that the commission can confirm that the estimated useful lives of the assets for funding purposes are determined as accurately as possible. As well, the systems should capture and report information about reserves that will enable the commission to monitor at differing levels of aggregation the extent to which reserves are funded. ▪ reviewing and changing as needed its investment policies for replacement reserve assets to ensure they provide the optimum blend of earnings potential, liquidity and risk.			
Tenant Rental Contributions: Recommendation 8			
Recommendation 8: We recommend that BC Housing reduce the extent of its recalculation of tenant rents to a level that will provide it with reasonable assurance that tenant rents are materially correct for the purpose of calculating subsidies. The commission should also extrapolate the results of its testing for income loss from incorrect declarations of income and assets so that a conclusion can be made as to whether the likely total misstatement of tenant rent from this cause is at a level that the commission can accept	Implementation Status: In Progress The Housing Services department in the Client Services Branch undertook an extensive consultation in February and March, 2000, with housing sector partners and public housing tenants to review the way income is verified and rent is calculated. The options to simplify rent calculation were modeled and tested by the Research and Corporate Planning department in the Corporate Services Branch. The final report with recommended changes was approved by the Board of BC Housing on April 29, 2000. Staff	Housing Services	Simplified Rent Calculation - October 2000 Risk Analysis - April 2001

...continued

Detailed Status Report on the Recommendations Contained in the Management of Social Housing Subsidies

Office of the Auditor General of British Columbia Recommendation	Implementation Status	Assigned To	Target Completion Date
Continued . . .	have updated the Rent Calculation Manual and are providing training to staff and housing sponsors. The new process is in place to calculate rents for tenants with annual review dates of October 1, 2000. Rent calculation workshops will be held at the annual BC Non-Profit Housing Association Conference. The simplification of rent calculation will reduce error rates overall. The Housing Services department is looking at electronic entry of rent information and document scanning. A risk analysis will be completed to determine the appropriate level of checking of rent calculations and reduce from the present level of 100% checking.		
Standards of Service: Recommendations 9 – 12			
Recommendation 9: We recommend that BC Housing record the results of operational reviews in a more uniform and comprehensive way so that they better disclose the extent to which sponsors are individually and collectively delivering an appropriate standard of service to tenants.	Implementation Status: In Progress—preliminary The work related to the Operational Review process will begin after the implementation of the simplified rent calculation process and manageable costs budget review. The Operational Review working group will meet in Fall 2000 to examine the operational review process in consultation with housing sponsors. Work on the housing database to capture information about sponsor performance will begin January 2001. In particular, the information collected manually during the financial review process on the priority ranking sheet and sponsor overview, and the operational review will be entered in the database to enable the identification of those sponsors most in need of support.	Regional Operations Computer Services	June 2001

Detailed Status Report on the Recommendations Contained in the Management of Social Housing Subsidies

Office of the Auditor General of British Columbia Recommendation	Implementation Status	Assigned To	Target Completion Date
Recommendation 10: We recommend that BC Housing ensure that its information systems report the information about sponsors that property portfolio managers need to properly prioritize operational reviews. As well, BC Housing should ensure that the systems provide regional managers with information to allow them to assess whether the prioritization of reviews is appropriate and the reviews and follow-up are carried out on a timely basis.	Implementation Status: In Progress–preliminary The Operational Review working group will meet in October 2000 to examine the operational review process in consultation with housing sponsors. Supporting information systems will be enhanced. Work on the housing database to capture information about sponsor performance will begin January 2001. In particular, the information collected manually during the financial review process on the priority ranking sheet and sponsor overview, and the operational review will be entered in the database to enable the identification of those sponsors most in need of support.	Regional Operations Computer Services	June 2001
Recommendation 11: We recommend that BC Housing, on an annual basis, obtain copies of management letters issued by financial statement auditors to the sponsor boards, or obtain confirmation that none were issued.	Implementation Status: Complete BC Housing requests sponsors to provide copies of management letters issued by financial statement auditors. However, the management letter is privileged client information and there is no requirement for the sponsor to provide this information to BC Housing. The Financial Review working team will be meeting with the sector to discuss this plus other possible options.	Program Operations	April 2000

Detailed Status Report on the Recommendations Contained in the Management of Social Housing Subsidies

Office of the Auditor General of British Columbia Recommendation	Implementation Status	Assigned To	Target Completion Date
Recommendation 12 : We recommend that BC Housing ensure that board members be present for the conduct of the operational reviews and to discuss the findings, and that commitments be obtained from the board of directors of the sponsors as to future remedial actions. The implementation of action plans should be monitored and documented by BC Housing's property portfolio managers.	Implementation Status: In Progress and On-going While BC Housing staff prefer to meet with the society board members to discuss the outcome of the operational review, this is not always possible. In the case of larger societies, the responsibility may be delegated to the Executive Director. The Operational Review working team will examine the process of developing action plans as a result of a review and information systems to store this information to permit timely follow-up.	Regional Operations Computer Services	June 2001

Appendix: Timetable of Reports Issued on 1999/2000 Report 8: Social Housing: The Governance of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation; The Management of Social Housing Subsidies

Report

Auditor General issued the report in November 1999. The report contained fifteen recommendations relating to the audit of the governance of BC Housing and PRHC and twelve recommendations relating to the audit of the management of social housing subsidies.

Public Accounts Committee reviewed the report on March 7, 2000. On completing its review 15 recommendations from the governance audit and 12 recommendations from the subsidy audit remained outstanding.

Public Accounts Committee met on October 4, 2000 to discuss the draft committee report on Social Housing. The committee decided to defer further consideration of the draft report until the follow-up information documented herein had been carried out.

First follow-up

The report currently before the Committee is the first follow-up report on this audit.

Office of the Auditor General of British Columbia

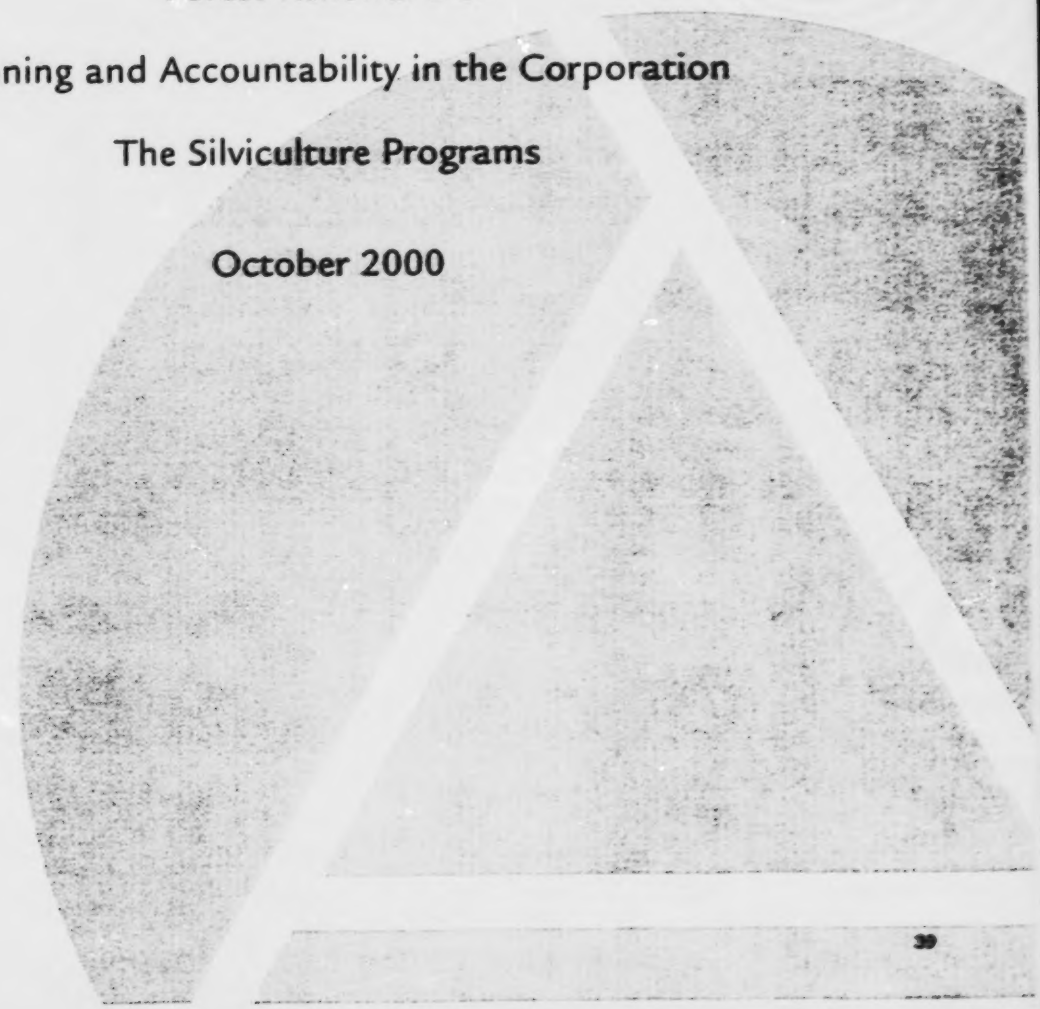
Information provided to the Select Standing Committee
on Public Accounts regarding
the follow-up of recommendations in

1999/2000 Report 6:
Forest Renewal BC:

Planning and Accountability in the Corporation

The Silviculture Programs

October 2000



OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

This is our report on our October 2000 follow-up of the recommendations from our 1999/2000 Report 6:

Forest Renewal BC:
Planning and Accountability in the Corporation
The Silviculture Programs.

Information as to the status of outstanding recommendations was provided to us by Forest Renewal BC in September 2000. We reviewed the response in October 2000.

We have reviewed the representations provided by the corporation regarding progress in implementing the recommendations. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the Forest Renewal BC's progress report does not present fairly, in all significant respects, the progress made in implementing the recommendations contained in our 1999/2000 report.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

October 2000

Summary of Original Report on Forest Renewal BC: Planning and Accountability in the Corporation

Audit Purpose and Scope

The purpose of the audit was to assess whether Forest Renewal BC is adequately planning and allocating its program investments to renew the province's forest economy and whether it is adequately accounting for its performance. To achieve adequacy, we expected the corporation to have:

- established clear and appropriate roles, authorities, and responsibilities for all those involved in the planning and allocation process;
- communicated long-term strategic direction and performance measures and targets to all those involved in the planning and allocation process;
- allocated program investments in accordance with clear investment priorities;
- established and used funding principles and project approval criteria to make funding decisions; and
- monitored and evaluated corporate performance and reported the results.

We reviewed the Forest Renewal BC planning and allocation processes used to develop plans for fiscal 1998/99. We did not assess the appropriateness of the corporation's administration, its level of resources, its organizational structure, or other human resource issues. In addition, we did not directly evaluate actual program or project outcomes. Rather, we looked at how Forest Renewal BC evaluates program and project outcomes.

Overall Conclusion

Forest Renewal BC made significant changes to the planning and allocation process during 1998/99; however further improvements were needed before it could demonstrate that it was adequately planning and allocating its program investments to renew the forest economy. The corporation also needed to make major improvements in measuring and publicly reporting on its performance.

The planning and allocation process was not directed by clear definitions of what Forest Renewal BC wanted to achieve in its efforts to renew the forest economy. In the absence of a strategic plan and clearly defined objectives, investment decisions were guided by the board's reliance on the 1994 Forest Renewal Plan and input from various committees. The planning and allocation process, especially for land-based programs, focused more on how to distribute funds among regions and proponents than on allocating according to what Forest Renewal BC wanted to achieve in the long-term. Since its inception in 1994 until 1997/98, the corporation spent about $1.2 billion without a strategic plan and clear objectives to guide program investments.

Forest Renewal BC did not fully consider what information it needed to allow it to exercise its accountability obligations for the expenditure of public funds. As a result, current reporting was untimely and deficient in providing useful performance information to the Legislative Assembly and the public.

. . . continued

Continued . . .

Forest Renewal BC operated in an environment that was dynamic and challenging. It was accountable to multiple stakeholders (including the Legislative Assembly, the government, the forest industry, forest-dependent communities, forest workers, First Nations, and environmental groups) with objectives that competed or conflicted with each other. Its revenue was decreasing at the same time that the demand for its funds was increasing. These pressures made it difficult for the corporation to concentrate on establishing good management processes.

However, Forest Renewal BC was moving in the right direction by attempting to become a performance-based investment agency through its continuing efforts to complete its strategic plan, establish performance measures and targets, implement a new investment management system, develop return-on-investment tools, and establish an evaluation plan. If the corporation succeeded in these endeavours, it would be in a better position to understand and report on the extent to which its program investments have led to meeting its intended results.

Summary of Status of Recommendations

Planning and Accounting in the Corporation

Original Issue Date: November 1999
Year Followed Up: 2000

Summary of status at August 31, 2000	OAG	PAC	Further Follow-up Required
Total Recommendations	**19**	**N/A**	**9**
Fully Implemented	0	N/A	0
Substantially Implemented	13	N/A	3
Partially Implemented	6	N/A	6
Alternative Action	0	N/A	0
No Action	0	N/A	0

Note: The Select Standing Committee on Public Accounts has not yet finalized its report on Forest Renewal. There are therefore currently no PAC recommendations to follow up.

Recommendations and Their Status

Planning and Accounting in the Corporation

Recommendations of the Office of the Auditor General of British Columbia

Number of recommendations in the original report	19
Recommendations requiring further follow-up	9

Substantially Implemented Recommendations

- The direction given by Forest Renewal BC's board to its staff for allocating program investments should include both social and resource targets. Targets should include recognition of both short-term and long-term objectives, and guidance should be provided about how these targets are to be balanced so that staff can make informed trade-offs in their allocation decisions.
- Forest Renewal BC should ensure that an appropriate level of analysis—one that includes financial, economic and social considerations—is conducted and the resulting information shared with the board for major investment allocation decisions.
- Forest Renewal BC should ensure that its annual report is produced within six months of the fiscal year-end.

Partially Implemented Recommendations

- For land-based programs, allocations by Forest Renewal BC should be directed to where the needs are the greatest and to where the funding can be used cost-effectively.
- Forest Renewal BC should ensure that all of its programs have approval criteria and guidelines that, when applied, allow staff to compare the merits of one project over another. Guidelines should be updated to reflect the corporation's most current direction, and corporate priorities and principles should be provided in all program guidelines.
- Forest Renewal BC should review the purpose of the Outputs report and ensure that the document satisfies the corporation's information management and accountability needs. Once the corporation has finalized its strategic plan, any subsequent reporting should be clearly linked to its goals, objectives,

performance measures and targets. In particular, information about jobs must be more specific, put into context, and linked to the corresponding strategic objective.

- Once fully operational, Forest Renewal BC should assess the Investment Management System to ensure that it meets the corporation's information management and accountability needs.
- As it has with its First Nations participation principle, Forest Renewal BC should measure the extent to which the corporation is meeting the requirements of its funding principles—incrementality, regional equity and wise spending—and report this information fully to the board and the public.
- Forest Renewal BC should continue to develop its performance measures and targets, including operational, financial and compliance measures, for both outputs and outcomes, and report them to the public once they are established.

Forest Renewal BC
Planning and Accountability Audit Recommendations
Action Plan

August 2000

Office of the Auditor General of British Columbia Recommendation	Actions Completed	Further Actions Planned	Responsibility	Due Date for Further Actions Planned
1. The terms of reference for the board of directors should be reviewed and updated to ensure that they are comprehensive and include current governance expectations. These should also be incorporated into one handbook.	Review and update complete: Board members receive material including: ▪ Legislation ▪ Terms of reference for Board ▪ Terms of reference for advisory committees ▪ Duties of Board member ▪ Forest Renewal organization charts ▪ Current business plan, strategic plan and 5 year report 1994/1999 New Board members are invited to attend the Crown Corporation Secretariat's orientation session for board members of crown corporations.	Recommendation is substantially implemented.		
2. Forest Renewal BC should further clarify the roles and responsibilities between itself, the Ministry of Forests and the Ministry of Environment, Lands and Parks to ensure that there is no duplication between these three organizations, and to ensure that forestry and the environment priorities are managed in a coordinated manner.	Ministry responsibilities relating to Forest Renewal activities are specified in service agreements. Roles and responsibilities have been reviewed and are reflected in new agreements in place for 2000/2001. Regional resource management planning process has been revised jointly to clarify roles and responsibilities.	Substantially implemented. Forest Renewal will monitor ministries' performance under service agreements to ensure that they are fulfilling their responsibilities.	Forests and Environment Investment Group	Ongoing

Forest Renewal BC
Planning and Accountability Audit Recommendations
Action Plan

August 2000

Office of the Auditor General of British Columbia Recommendation	Actions Completed	Further Actions Planned	Responsibility	Due Date for Further Actions Planned
3. The board should complete its strategic plan and have it reviewed and approved by government and reported publicly.	Strategic plan is complete, has been approved by the Board and was issued to the public in August 1999.	Substantially Implemented. Crown Corporation Secretariat has a process whereby Crown Corporations take a high-level "strategic overview" document to the Cabinet Committee on Crown Corporations. CCCC discusses the overview and provides any necessary government direction that is then incorporated by the Crown in the development of its strategic plan. Forest Renewal will explore the possibility of taking a strategic overview to CCCC prior to updating the strategic plan.	Corporate Planning and Evaluation	March 2002
4. The direction given by Forest Renewal's Board to its staff for allocating investments should include both social and resource targets. Targets should include recognition of both short-term and long-term objectives, and guidance should be provided about how these targets are to be balanced so that staff can make informed trade-offs in their allocation decisions.	Strategic plan provides clear overall direction as to key objectives. Corporate investment principle #1 states: *Forest Renewal BC investment funds will be allocated to business areas and activities based on their potential contribution to achieving strategic objectives and their cost. All other considerations are of secondary importance.* An additional four investment principles provide further guidance on allocations. Met with OAG staff to provide information on actions taken.	Substantially implemented. Ongoing development/improvement of business planning guidelines and decision tools for assessing trade-offs among investment strategies with respect to achieving strategic objectives and achieve corporate commitments. ***We will continue a dialogue with the OAG staff on how well we are meeting the intent of the recommendation.***	Operational Investment Groups Corporate Planning and Evaluation	Ongoing Ongoing

Forest Renewal BC
Planning and Accountability Audit Recommendations
Action Plan

August 2000

Office of the Auditor General of British Columbia Recommendation	Actions Completed	Further Actions Planned	Responsibility	Due Date for Further Actions Planned
5. For land based programs, allocations should be directed to where the needs are the greatest and to where the funding can be used cost effectively.	Resource Management Plan process identifies regional or management unit priority needs for each land-based strategic objective. These are built into the investment allocation plans each year.	Continue to develop and implement decision-making tools and processes for the 2001/2002 business plan that consider the quality of information available, the desired corporate objectives balanced with regional equity and the actual investment decision. Monitoring to ensure that results of Resource Management Plans are appropriately reflected in investment allocations for 2000/01.	Forests and Environment Investment Group	March 2001
6. Forest Renewal BC should enhance its business plan to ensure that it contains adequate accountability information. For guidance on how to achieve this enhancement, the corporation should review the "Guidelines for Crown Corporations for the preparation of Strategic and Business Plans," produced by the Crown Corp Secretariat and "Enhancing Accountability for Performance: A framework and an Implementation Plan," produced by the Deputy Ministers' Council and the Office of the Auditor General.	Business plan format has been reviewed based on guidelines noted. Forest Renewal prepared its 2000/01 Business Plan in accordance with the Guidelines for Crown corporations for the preparation of Strategic Business Plans.	Substantially implemented. Forest Renewal will continue to complete and incorporate performance measures into its investment planning processes and will meet the new *Budget Transparency and Accountability Act* which requires the Corporation to annually table a 3 year performance plan starting April 2001.	Corporate Planning and Evaluation	Ongoing

Forest Renewal BC
Planning and Accountability Audit Recommendations
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Office of the Auditor General of British Columbia Recommendation	Actions Completed	Further Actions Planned	Responsibility	Due Date for Further Actions Planned
7. Wise spending guidelines for Forest Renewal BC's programs should be developed and communicated.	Strategic Objective #7 – *Increase FRBC's Effectiveness and Efficiency* –focuses on performance management and cost efficiency, i.e., wise spending. Focus is on analysing roi and tracking and reporting against predetermined performance targets. E.g. key initiative is conducting regular business reviews that include a review of key cost indicators. Resource management Planning guidelines include maximum costs for silviculture activities.	Substantially Implemented Continued focus on developing tools for analysing investments for return. In addition each business unit is continuing to develop key indicators associated with wise spending. Investment Management System allows staff to monitor trends and identify outliers.	Communities and Workforce Investment Group Forests and Environment Investment Group Value-added Investment Group	On-going
8. Forest Renewal BC should ensure that an appropriate level of analysis—one that includes financial, economic and social considerations is conducted and the resulting information shared with the board for major investment allocation decisions.	Board has reviewed the level of information and analysis it requires for investment allocation decisions at various levels: ▪ strategic planning ▪ business planning ▪ project/activity planning To date the Board, (at the March 2000 meeting), has provided direction on their information requirements for investment decisions. An Investment analysis template has been drafted to assist in making investment choices between major activities. The Board also reviewed and formalized a corporate calendar for planning and reporting at the May 2000 meeting.	Substantially Implemented Forest Renewal will ensure that all Board information requests are documented and that the provision of this information is recorded. ***We will continue a dialogue with the OAG staff on how well we are meeting the intent of the recommendation.***	Operational Investment Groups Corporate Planning and Evaluation	On-going On-going

Forest Renewal BC
Planning and Accountability Audit Recommendations
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Office of the Auditor General of British Columbia Recommendation	Actions Completed	Further Actions Planned	Responsibility	Due Date for Further Actions Planned
9. Forest Renewal BC should ensure that all of its programs have approval criteria and guidelines that, when applied, allow staff to compare the merits of one project over another. Guidelines should be updated to reflect the corporation's most current direction, and corporate priorities and principles should be provided in all program guidelines.	Planning guidelines that reflect the strategic plan direction are in place for all investment areas. For example, Resource Management Planning Guidelines for land-based programs were revised in 1999 to reflect the strategic plan; Value-added business unit uses up-to-date proposal evaluation tool.	As performance measures are put in place, we are reviewing and revising guidelines for individual programs to ensure that they are consistent with the strategic plan and provide a basis for comparing and making trade-offs between projects. Continued focus on developing tools for analysing investments for return. Forest Renewal will audit programs to ensure guidelines are consistent with strategic plan and corporate priorities. Evaluations will also assess guideline effectiveness and propose improvements.	Operational Investment Groups Corporate Planning and Evaluation	March 2001 2001/2002
10. Forest Renewal BC should develop an accountability framework that allows it to meet its accountability responsibilities. Their framework should encompass information in three areas: operational, financial and compliance performance.	Forest Renewal BC reports annually to the public on the achievement of outcomes and investment levels. Forest Renewal has restructured for clarity, we are focused on measurable targets for reporting on outputs and outcomes. Forest Renewal has reviewed the accountability framework and revised our annual report template to ensure we address specific changes or enhancements expected (as per the OAG and Enn's report).	Substantially Implemented. We will continue to work with Crown Corporation Secretariat to meet the expectations arising from the Enn's report and the new Budget Transparency and Accountability Act.	Corporate Planning and Evaluation	Ongoing

Forest Renewal BC
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Office of the Auditor General of British Columbia Recommendation	Actions Completed	Further Actions Planned	Responsibility	Due Date for Further Actions Planned
11. Forest Renewal BC should review the purpose of the Outputs report and ensure that the document satisfies the corporation's information management and accountability needs. Once the corporation has finalized its strategic plan, any subsequent reporting should be clearly linked to its goals, objectives, performance measures and targets. In particular, information about jobs must be more specific, put into context, and linked to the corresponding strategic objective.	Forest Renewal's Investment Management System is intended to meet output reporting requirements. Currently, outputs reporting is about 75% complete and work is ongoing to ensure data is linked to strategic objectives and report timing meets business planning calendar.	The Investment Management System will be reviewed and revised as necessary to ensure output reporting is appropriate.	Corporate Planning and Evaluation and Finance Corporate Services	March 2001
12. Once fully operational, Forest Renewal BC should assess the Investment Management System to ensure that it meets the corporation's information management and account-ability needs.	Finance and Corporate Services staff and management have been working on ongoing development of the Investment Management System (IMS). It is now 90% completed. Forest Renewal has prepared a Strategic Information Management Plan that identified support for the corporation's performance management initiative as one of its priorities. The plan includes a "corporate reporting framework" project and the development of reporting data bases and tools to support the implementation of the framework.	Conduct a post-implementation review. Project has been approved by the Audit Committee for the 2000/2001 internal audit plan. Terms of reference have been drafted and project will be completed by February 2001. Within the strategic plan, individual projects are being approved to help link various levels of performance measurement.	Corporate Planning and Evaluation Finance Corporate Services	February 2001 Ongoing

continued...

Forest Renewal BC
Planning and Accountability Audit Recommendations
Action Plan

August 2000

Office of the Auditor General of British Columbia Recommendation	Actions Completed	Further Actions Planned	Responsibility	Due Date for Further Actions Planned
Continued . .	Work is underway on an internal audit project to conduct an IMS post implementation review and risk and controls analysis.			
13. Forest Renewal BC should establish a current and formally approved audit plan for the corporation, and the progress of the plan should be monitored and reported to the Audit Committee.	The internal audit plan was approved by the Audit Committee in September 1999. The Audit Committee met in March 2000 and based on issues and findings arising from internal audit projects during the year approved an audit plan for 2000/01. This plan is now underway.	Substantially implemented.	Corporate Planning and Evaluation	Ongoing
14. As it has with its First Nations participation principle, Forest Renewal BC should measure the extent to which the corporation is meeting the requirements of its funding principles, particularly incrementality, regional equity and wise spending, and report this information fully to the board and the public.	Principles are now reflected in strategic objectives and corporate commitments, which are tracked. For example, the wise spending principle drove the creation of strategic objective 7, in our strategic plan, relating to efficiency. Incrementality has lost some relevance because in developing the strategic plan we reviewed and assessed the types of investments that are core to achieving our mandate and whether or not Forest Renewal is a key investor. Based on this assessment there is a focused set of investment activities that the corporation pursues.	We will complete the corporate performance measurement system including commitment definitions and tracking requirements (Currently about 75% complete). We will track data relating to four corporate commitments: FN, employment creation, regional equity and stakeholder involvement. We will continue to use the original principles to refine and evaluate progress towards strategic objective #7 – increasing effectiveness and efficiency.	Corporate Planning and Evaluation	March 2001

Forest Renewal BC
Planning and Accountability Audit Recommendations
Action Plan

August 2000

Office of the Auditor General of British Columbia Recommendation	Actions Completed	Further Actions Planned	Responsibility	Due Date for Further Actions Planned
15. Forest Renewal should continue to develop its performance measures and targets, including operational, financial and compliance measures, for both outputs and outcomes, and report them to the public once they are established.	We are continuing to develop and move towards completing implementation of the Performance Measurement System and incorporating outcome measures into annual reporting. The annual report format has been revised to become an annual performance report.	Annual reporting will be based on performance measures.	Corporate Planning and Evaluation Operational Investment Groups	September 2001
16. Forest Renewal BC should enhance its current evaluation plan to include a detailed workplan with proposed evaluations that are clearly linked to the corporation's strategic objectives and accountability needs. Management should monitor and report on the progress of this workplan to its board.	Draft Evaluation Plan is in place. It encompasses 4 areas: ▪ Corporate performance measures ▪ Program evaluation plans ▪ Program evaluation projects ▪ Training and communications The role of the Audit Committee of the Board has been expanded to include corporate evaluation. This Committee is scheduled to meet three times a year to develop, approve and review progress on the annual corporate evaluation plan. The Committee in turn reports regularly to the Board.	Substantially implemented.	Corporate Planning and Evaluation	Ongoing

Forest Renewal BC
Planning and Accountability Audit Recommendations
Action Plan

August 2000

Office of the Auditor General of British Columbia Recommendation	Actions Completed	Further Actions Planned	Responsibility	Due Date for Further Actions Planned
17. Forest Renewal BC should ensure that the secondary impacts of its programs are included in its evaluation plan.	Corporate evaluation guidelines have been drafted and require that secondary impacts are considered.	Substantially implemented. For any major new programs or changes in program funding levels, Forest Renewal will ensure that the secondary impacts are identified and reported to the Board. This will be incorporated into the evaluation frameworks for each program.	Corporate Planning and Evaluation	Ongoing
18. Forest Renewal BC should ensure that its annual report is produced within six months of the fiscal year-end.	1998/99 annual report was released in early 2000. A draft 1999/2000 annual performance report has been prepared with a target publication date of September 25, 2000.	Substantially implemented. 1999/2000 annual performance report targeted to be complete and printed September, 2000.	Corporate Planning and Evaluation	September 2000
19. Forest Renewal BC should enhance the contents of its annual report to provide performance information as described in the joint report on accountability produced by the Deputy Ministers' Council and the OAG, and in the Deputy Ministers' Council 1997 report "Guidelines for Ministry Annual Reporting."	Forest Renewal has reviewed the accountability framework and revised our annual report template to address specific changes or enhancements expected (as per the OAG and Enn's report) A draft format has been prepared.	Substantially implemented We will continue to work with Crown Corporation Secretariat to meet the new expectations arising from the Enn's report and the *Budget Transparency and Accountability Act.*	Corporate Planning and Evaluation	Ongoing

Summary of Original Report on Forest Renewal BC: The Silviculture Programs

Audit Purpose and Scope

The purpose of this audit was to assess whether Forest Renewal BC is spending wisely on its silviculture programs—that is, spending to ensure economy, efficiency, and effectiveness in the use of its funds.

With our focus being on those systems and processes that are part of the new land-based delivery model, we looked primarily at how Forest Renewal BC's silviculture programs were planned in 1998/99. As well, although responsibility for program planning and delivery is shared among Forest Renewal BC, the Ministry of Forests, and industry proponents, our audit centred on the corporation's role in developing and managing the delivery system to ensure economy, efficiency and effectiveness. At the same time, however, we assessed whether the Ministry of Forests' role in the process has been adequately defined, and whether the ministry is providing Forest Renewal BC with the information and tools the corporation needs to support the investment decisions it is making.

We also assessed the extent to which Forest Renewal BC has identified how the silviculture programs are contributing to the achievement of the corporation's resource, economic and social objectives.

Overall Conclusion

We concluded that significant improvements were required in several areas before Forest Renewal BC could demonstrate that it was spending wisely. While some initiatives were underway, there were still a number of matters needing attention.

We found that Forest Renewal BC had not clearly identified what it expected to achieve from its investments in the silviculture programs. While one of the corporation's strategic objectives is to grow more and better quality timber, and it had linked the silviculture programs to this objective, the corporation had not defined, in measurable terms, its expectations for achieving this objective. Without clearly stated objectives, Forest Renewal BC was unable to demonstrate that the activities it purchased were the right ones in the right quantities to do the job. While a clear jobs target had been set, it was not clear what the effect of meeting that target meant in terms of the achievement of forest resource benefits. A province-wide strategic planning process initiated by the Ministry of Forests and funded by Forest Renewal BC was expected to provide the information the corporation needs to set measurable objectives.

A new information system was to provide management with more timely information than it was getting about the status of work undertaken (outputs, costs and jobs). However, Forest Renewal BC still needed to develop systems to provide information about the effects its programs were actually having on the forest resource and the economic viability of its program investments. In addition, the corporation needed to provide more complete information about the results of its job creation efforts.

Summary of Status of Recommendations

The Silviculture Programs

Original Issue Date: November 1999
Year Followed Up: 2000

Summary of status at August 31, 2000	OAG	PAC	Further Follow-up Required
Total Recommendations	**21**	**N/A**	**8**
Fully Implemented	1	N/A	0
Substantially Implemented	14	N/A	2
Partially Implemented	6	N/A	6
Alternative Action	0	N/A	0
No Action	0	N/A	0

Note: The Select Standing Committee on Public Accounts has not yet finalized its report on Forest Renewal. There are therefore currently no PAC recommendations to follow up.

Recommendations and Their Status

The Silviculture Programs

Recommendations of the Office of the Auditor General of British Columbia

Number of recommendations in the original report 21
Recommendations for further follow-up 8

Substantially Implemented Recommendations

- Forest Renewal BC should determine how it will obtain assurance that the monies expended by proponents provide value-for-money.
- Forest Renewal BC should reassess the evaluation needs of the Enhanced Forestry Program to ensure the corporation will be able to identify the actual outcomes of the program it funds, and relate these quantitatively to the forest level outcomes.

Partially Implemented Recommendations

- Forest Renewal BC should identify its resource objectives in terms of expected outcomes, to show clearly what it projects the future resource benefits from these investments are likely to be.
- Forest Renewal BC should use the available information to a greater extent in making decisions about its investment level for various activities in the Enhanced Forestry Program.
- Forest Renewal BC should base future allocations of funds for silviculture programs on an understanding of the opportunities, resource strategies, and the unique timber supply situation within each region.
- Forest Renewal BC should ensure that its planning processes provide the corporation with qualitative and quantitative information about the potential value of the work it funds.
- Forest Renewal BC should assess the level of assurance it needs, and to ensure that the Ministry of Forests' quality assurance review process has the resources to meet that requirement.
- Forest Renewal BC should ensure that available analytical tools are used so it can understand the financial and economic implications of its decisions.

Forest Renewal BC
The Silviculture Programs Recommendations
Action Plan

August 2000

Office of the Auditor General of British Columbia Recommendation	Actions Completed	Further Actions Planned	Responsibility	Due Date for Further Actions Planned
1. A strategy similar to that identified as being required by the Forest Sector Strategy Committee in 1995 should be developed by integrating existing documents, and should be used as a basis to guide strategic requirements for incremental silviculture activities. Development of this strategy should be a coordinated initiative by the Ministry of Forests, Forest Renewal BC and industry.	Provincial incremental silviculture strategy has been issued by the Forest Service and was funded by Forest Renewal.	Substantially implemented.		
2. Forest Renewal BC should identify its resource objectives in terms of expected outcomes, to show clearly what it projects the future resource benefits from these investments are likely to be.	At the macro-level, strategic plan identifies outcome targets (e.g. make an additional 25M cubic metres available). Management unit plans identify outcome targets using coefficients applied to outputs. Management unit silviculture strategies are under development. They are approximately 70% complete.	Partially implemented. Complete remaining management unit silviculture strategies.	Forests and Environment Investment Group	March 2001

Forest Renewal BC
The Silviculture Programs Recommendations
Action Plan

August 2000

Office of the Auditor General of British Columbia Recommendation	Actions Completed	Further Actions Planned	Responsibility	Due Date for Further Actions Planned
3. Forest Renewal BC should identify its financial and economic objectives for the silviculture programs.	Developed performance measures for silviculture activities, with a target of creating 25 million cubic metres.	Substantially Implemented.		
4. Forest Renewal BC should ensure that its social objectives identify both short-term job creation and long-term job creation in the harvesting and processing sectors.	Proponents record short-term direct employment into the IMS. Induced employment is estimated using provincial multipliers provided by B.C. Statistics, and they are similar multipliers to those used by other agencies. The downstream (long-term) employment generation is estimated using a multiplier that's supplied to harvesting and processing of each 1,000 cubic metres of timber supply.	Substantially implemented.		
5. Forest Renewal BC should clearly define the extent to which it wants its funds to focus on social objectives and the extent to which it wants them to focus on resource objectives.	Investment planning principles for 2000/01 establish priorities regarding resource and social objectives. i.e., Corporate investment planning principle #1 –**Forest Renewal BC investment funds will be allocated to business areas and activities based on their potential contribution to achieving strategic objectives and their cost. All other considerations are of secondary importance.**	Substantially implemented.		

Forest Renewal BC
The Silviculture Programs Recommendations
Action Plan

August 2000

Office of the Auditor General of British Columbia Recommendation	Actions Completed	Further Actions Planned	Responsibility	Due Date for Further Actions Planned
6. Forest Renewal BC should ensure that strategic-level enhanced forestry research needs are addressed in its planning of research programs. In addition, it should work with the Forest Productivity Council to identify growth and yield information needs and provide the funding needed to ensure that such information is being adequately collected for managed stands.	Forest Renewal's Board made a commitment to maintain funding where opportunities are available to improve information on growth and yield. The Forest Productivity Council has provided us with advice on research priorities in this area. Timber Supply Reviews also identify information gaps related to silviculture and growth and yield. Forest Service has developed a Silviculture Research Strategy that includes a discussion relating to growth and yield.	Substantially implemented.		
7. Forest Renewal BC should use the available information to a greater extent in making decisions about its investment level for various activities in the Enhanced Forestry Program.	The implementation of management unit silviculture strategies is the tool to incorporate the best available information. In addition, we fund research and extension to improve that knowledge base and improve the use of those tools. Forest Renewal has funded Level 1 and Level 2 analysis work at the management unit level. Level 2 analysis will assess the relative impacts of various investment activity scenarios.	Partially implemented. Complete remaining management unit silviculture strategies.	Forests and Environment Investment Group	March 2001

Forest Renewal BC
The Silviculture Programs Recommendations
Action Plan

August 2000

Office of the Auditor General of British Columbia Recommendation	Actions Completed	Further Actions Planned	Responsibility	Due Date for Further Actions Planned
8. Forest Renewal BC should identify the financial, economic, and resource quality criteria it expects proponents to apply when they are considering potential projects for their work plans.	Sustainable Harvest Resource Management Plan Guidelines have been updated and provide the following direction: ▪ Eligibility for investments; ▪ Criteria for ranking investments; ▪ Guidelines for unit cost ceilings; and, ▪ Scope for applying professional judgement.	Substantially Implemented.		
9. Forest Renewal BC should base future allocations of funds for silviculture programs on an understanding of the opportunities, resource strategies, and the unique timber supply situation within each region.	Provincial silviculture strategy provides overall context. Management unit plans identify outcome targets using coefficients applied to outputs. Management unit silviculture strategies are under development. They are approximately 70% complete.	Partially Implemented. Complete remaining management unit silviculture strategies.	Forests and Environment Investment Group	March 2001

Forest Renewal BC
The Silviculture Programs Recommendations
Action Plan

August 2000

Office of the Auditor General of British Columbia Recommendation	Actions Completed	Further Actions Planned	Responsibility	Due Date for Further Actions Planned
10. Forest Renewal BC should ensure that its funding of forest health activities is based on an adequate assessment of provincial forest health requirements.	Rationale and guidelines for investing in forest health in second growth stands is documented on page 15 of Appendix I of the Guidelines for the Development of Resource Management Plans for 2000/01. To be eligible for funding, the guidelines require investments to: ▪ Increase the productivity and value of second growth forests; and, ▪ Strengthen information for planning.	Substantially Implemented.		
11. Forest Renewal BC should ensure that its planning processes provide the corporation with qualitative and quantitative information about the potential value of the work it funds.	Provincial silviculture strategy provides overall context. Management unit plans identify outcome targets using coeeficients applied to outputs. Management unit silviculture strategies are under development. They are approximately 70% complete.	Partially Implemented. Complete remaining management unit silviculture strategies.	Forests and Environment Investment Group	March 2001

Forest Renewal BC
The Silviculture Programs Recommendations
Action Plan

August 2000

Office of the Auditor General of British Columbia Recommendation	Actions Completed	Further Actions Planned	Responsibility	Due Date for Further Actions Planned
12. Forest Renewal BC should more thoroughly analyze the implications of different funding scenarios for the Backlog Program.	Established more rigorous, specific investment criteria guidelines for backlog treatments in current RMP Guidelines. Forest Service has updated the provincial backlog strategy. Forest Service, in determining NSR stands subject to backlog treatments, nets out inaccessible and uneconomic stands as well as sites covering less than 5 ha.	Substantially Implemented.		
13. Forest Renewal BC should ensure that it obtains information about the extent to which the activities it funds are creating conditions for maintaining and creating future jobs in the harvesting and processing sectors.	The downstream (long-term) employment generation is estimated using a multiplier that's supplied to harvesting and processing of each 1,000 cubic metres of timber supply.	Fully Implemented.		

Forest Renewal BC
The Silviculture Programs Recommendations
Action Plan

August 2000

Office of the Auditor General of British Columbia Recommendation	Actions Completed	Further Actions Planned	Responsibility	Due Date for Further Actions Planned
14. Forest Renewal BC should determine how it will obtain assurance that the monies expended by proponents provide value-for-money.	We have initiated fourteen performance or value-for-money audits of specific multi-year agreements on a pilot basis this year. We have a project underway to examine the design of our contracts and how we ensure that we capture the information necessary to assess value for money. We are addressing this first, through a group of performance audits. New MYA for 2001/02 has more detailed and specific requirements regarding tendering. RMP Guidelines have been updated to provide clearer direction on assessing the reasonableness of unit costs.	Substantially Implemented.		
15. Forest Renewal BC should provide clearer direction as to the level of costs it is willing to accept to meet its social objectives.	Staff in each region have developed a range of acceptable unit costs for silviculture treatments done by regular silviculture crews under regular conditions. Unit costs are being tracked and managed on an on-going basis. An analysis of silviculture unit costs over the life of Forest Renewal, which is just being completed, indicates that costs are within range of historical costs; and where there are differences, the reasons for those differences are being identified.	Substantially Implemented.		

Forest Renewal BC
The Silviculture Programs Recommendations
Action Plan

August 2000

Office of the Auditor General of British Columbia Recommendation	Actions Completed	Further Actions Planned	Responsibility	Due Date for Further Actions Planned
16. Forest Renewal BC should ensure that it has information about the quality of the resource benefits it is purchasing. Acceptable limits should be incorporated into the agreements so they become contractual obligations.	Forest Service has updated provincial standards regarding minimum qualities for various silviculture treatments. Related guidebooks and other policy documents of the Forest Service have been updated. Forest Renewal BC RMP guidelines have been updated to reflect the revision to Forest Service standards.	Substantially Implemented.		
17. Forest Renewal BC should assess the level of assurance it needs, and ensure that the Ministry of Forests' quality assurance review process has the resources to meet that requirement.	Quality assurance responsibilities of resource ministries for Forest Renewal BC projects have been further clarified in current service agreements with ministries.	Partially Implemented.		

Forest Renewal BC
The Silviculture Programs Recommendations
Action Plan

August 2000

Office of the Auditor General of British Columbia Recommendation	Actions Completed	Further Actions Planned	Responsibility	Due Date for Further Actions Planned
18. Forest Renewal BC should work with Ministry of Forests and industry to identify monitoring needs and implement an appropriate program so that the impacts of its funded activities are identified.	Recommendation relates to monitoring in a program effectiveness context rather than in the context of the day-to-day performance quality discussed in the previous recommendation. We have had discussions with industry and the Forest Service about how we would go about this as follow-through on the management unit silviculture strategies. We are following up with the ministry and with industry to ensure that, at the management unit level, progress towards achievement of strategic objective of sustainable harvest are monitored.	Substantially Implemented.		
19. Forest Renewal BC should reassess the evaluation needs of the Enhanced Forestry Program to ensure the corporation will be able to identify the actual outcomes of the program it funds, and relate these quantitatively to the forest level outcomes.	Silviculture programs have been included in the evaluation program. Terms of reference for silviculture evaluation have been prepared. Framework for silviculture evaluation is being developed.	Substantially Implemented.		

Forest Renewal BC
Planning and Accountability Audit Recommendations
Action Plan

August 2000

Office of the Auditor General of British Columbia Recommendation	Actions Completed	Further Actions Planned	Responsibility	Due Date for Further Actions Planned
20. Forest Renewal BC should ensure that its reporting on job creation puts the short-term job creation into proper context and identifies the effect of its programs on the silviculture community and future harvesting and processing jobs.	The downstream (long-term) employment generation is estimated using a multiplier that's supplied to harvesting and processing of each 1,000 cubic metres of timber supply.	Substantially Implemented.		
21. Forest Renewal BC should ensure that available analytical tools are used so it can understand the financial and economic implications of its decisions.	Investment tools and related analysis has been developed. Implementation will be piloted and phased in over next two years.	Partially Implemented. Investment tools will be refined.	Forests and Environment Investment Group	March 2001

Appendix: Timetable of Reports Issued on 1999/2000 Report 6: Forest Renewal BC: Planning and Accountability in the Corporation, the Silviculture Programs

Report

Auditor General issued the report in November 1999. The report contained 19 recommendations relating to the audit of the corporation's planning and accountability and 21 recommendations relating to the audit of the silviculture programs.

Public Accounts Committee reviewed the report on January 25, 2000. On completing its review all of the recommendations remained outstanding.

Public Accounts Committee met on October 4, 2000 to discuss the draft committee report on Forest Renewal BC: Planning and Accountability. The committee endorsed all of the recommendations and added two more. Public Accounts Committee met on October 5, 2000 to discuss the draft committee report on Forest Renewal BC: The Silviculture Programs. The committee endorsed all of the recommendations.

First follow-up

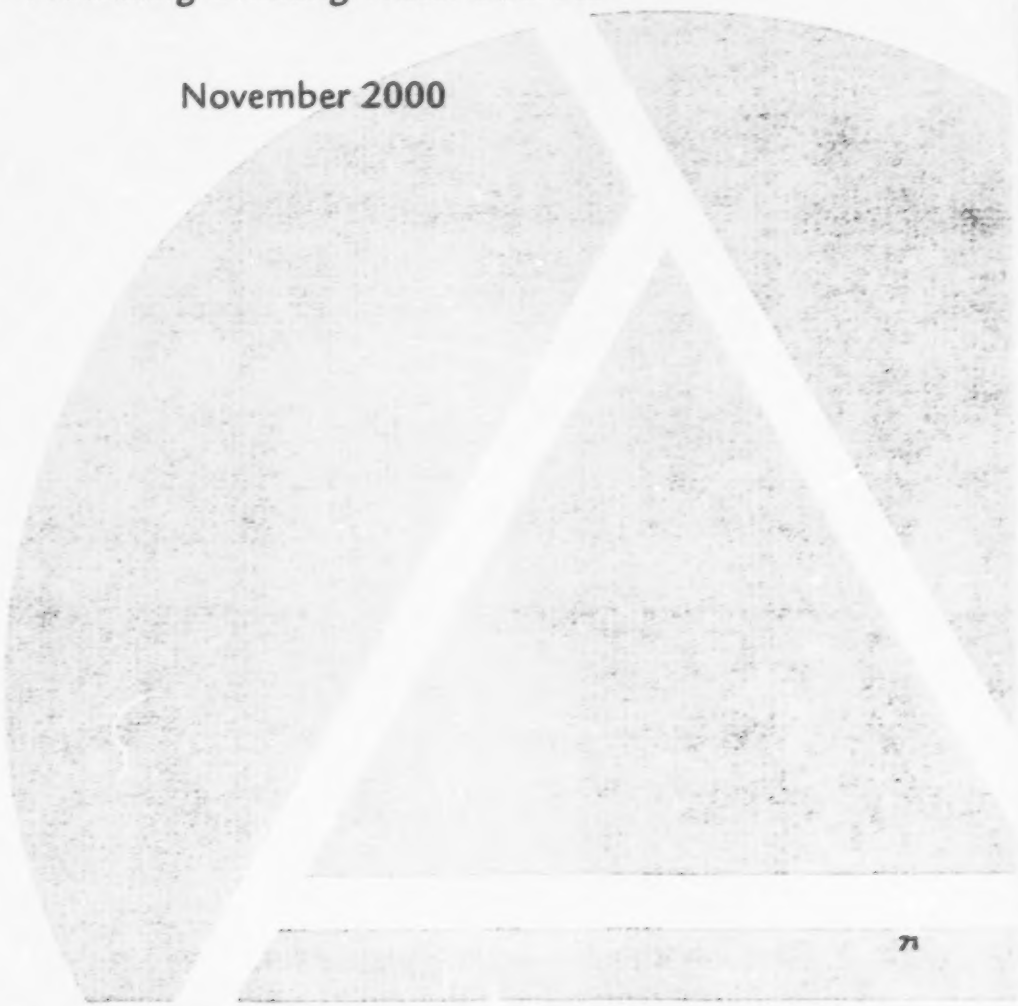
The first follow-up report was provided to the committee on November 1, 2000.

Office of the Auditor General of British Columbia

Information provided to the Select Standing Committee
on Public Accounts regarding
the follow-up of recommendations in

1998/1999 Report 5:
Protecting Drinking-Water Sources

November 2000



OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

This is our report on our October, 2000 follow-up of the recommendations from our 1998/1999 Report 5: Protecting Drinking-Water Sources, and from the Select Standing Committee on Public Accounts Second Report: Protecting Drinking-Water Sources (April 18, 2000).

Information as to the status of outstanding recommendations was provided to us by the Ministry of Environment, Lands and Parks on behalf of the Directors Committee on Drinking Water in September and October, 2000. We reviewed the response in October, 2000.

We have reviewed the representations provided by the Directors Committee on Drinking Water regarding progress in implementing the recommendations. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the Directors Committee on Drinking Water's progress report does not present fairly, in all significant respects, the progress made in implementing the recommendations contained in our 1998/1999 report and in the committee's report.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

November 2000

Summary of Original Report on Protecting Drinking-Water Sources

Audit Purpose

We set out to determine whether British Columbia is getting good value from an important resource—drinking-water sources. Our audit asked: Does the level of protection provided by the Province to drinking-water sources from human-related impacts appropriately balance the cost and benefits of drinking water and other resources?

Overall Conclusion

We concluded that the Province was not adequately protecting drinking-water sources from human-related impacts, and that this could have significant cost implications in the future for the Province, for municipal and regional governments, and for citizens in general. The key problem was lack of an effective, integrated approach to land-use management. This could result in less-than-optimal choices being made between the need to protect source water and the need to allow other activities.

Summary of Status of Recommendations

Original Issue Date: March 1999
Year Followed Up: 2000

Summary of status at October 2000	OAG	PAC	Further Follow-up Required
Total Recommendations	**26**	**2**	**25**
Fully Implemented	3	–	–
Partially Implemented	22	2	24
Alternative Action	1	–	1
No Action	–	–	–

Recommendations and Their Status

Recommendations of the Office of the Auditor General of British Columbia

Number of recommendations in the original report	26
Recommendations requiring further follow-up	23

Partially Implemented Recommendations

- Ensure that in integrated management processes dealing with drinking-water issues: drinking-water consumers are meaningfully represented; decisions are grounded in sufficient reliable information about natural conditions in the watershed and the values and impacts of competing resource uses; and findings and recommendations are handed off to elected or appointed officials with the authority to act on them.
- Report annually, at both provincial and local levels, on (the Province's) protection of drinking-water sources.
- Issue a comprehensive set of guidelines for good drinking water, so that decision-makers and citizens can better understand the information they receive about drinking-water quality.
- Carry out an comprehensive evaluation of the rights of resource access of drinking-water suppliers, to determine if they are appropriate.
- Examine and regularly report on both priorities for on-site inspections of operations in community watersheds and the frequency of inspections actually carried out.
- Develop water quality objectives for all community watersheds as a matter of priority, if such objectives are to remain the main legislated mechanism for results monitoring under the Forest Practices Code.
- Clearly assign responsibility for monitoring whether water quality objectives are being met, at all stages of forest development within community watersheds.
- Give consideration to widening the range of results-based monitoring in community watersheds required under the Forest Practices Code.
- Expand the range provisions of the Forest Practices Code to more effectively address risks from parasites.

- Gather information on the impacts of recreation on drinking-water sources, as a basis for future policy development.
- Give priority to planning and building transportation routes and infrastructure in ways that will prevent the degradation of drinking-water sources.
- Continue to strengthen procedures to minimize damage to drinking-water sources from chemical spills and leaks, and to implement provisions to prevent wide-area (non-point source) contamination.
- Develop region-specific regulations for agricultural sources of nutrients.
- Strengthen compliance with the Code of Agricultural Practice for Waste Management through more outreach efforts to encourage voluntary compliance by farmers.
- Give priority to monitoring compliance with the Code of Agricultural Practice for Waste Management, and to enforcement actions that encourage compliance with the Code, in order to maintain the incentive for voluntary compliance.
- Consider giving approving officers the authority to take into account the cumulative impacts of septic tank systems when examining subdivision proposals.
- Determine whether there are areas of British Columbia in addition to the Okanagan Valley where nutrient-control provisions for septic tank systems could help reduce the need for investment in new drinking-water sources, or in higher levels of water treatment.
- Complete and implement the proposal to help local governments develop maintenance bylaws for septic tank systems.
- Ensure regular monitoring of groundwater usage and levels in all developed aquifers across the province.
- Ensure that monitoring of groundwater quality occurs regularly in all developed aquifers in the province, and more frequently in all vulnerable aquifers.
- Establish a comprehensive and coordinated aquifer mapping and inventory program.
- Ensure that any examination of the rights and responsibilities of drinking-water system owners considers the special circumstances of small system users.

Alternative Action to Our Recommendation

- Designate within government a lead agency for drinking-water interests, to coordinate government policy and action on drinking-water issues.

Recommendations of the Select Standing Committee on Public Accounts

Number of recommendations in the original report	2
Recommendations for further follow-up	2

Partially Implemented Recommendations

- Progress on the 26 recommendations made in the Auditor General's report "Protecting Drinking-Water Sources" be reviewed and reported on every six months to the Select Standing Committee on Public Accounts.
- Given the serious concern in the United States regarding ground-water contamination by the gasoline additive methyl tertiary butyl ester ("MTBE"), the Ministries of Environment, Lands and Parks and Health examine the need for testing in British Columbia, and report back to this committee within twelve months with their findings.

Provincial Government Actions to Protect Drinking-Water Sources

Update Prepared for the Select Standing Committee on Public Accounts by the Directors Committee on Drinking Water October 27, 2000

Introduction

On March 8, 2000 the Directors Committee on Drinking Water, on behalf of government, submitted a report to the Select Standing Committee on Public Accounts summarizing ongoing and planned actions to address the 26 recommendations from the Auditor General's report "Protecting Drinking-Water Sources." Subsequently, the Select Standing Committee tabled a report in the legislature in April 18, 2000 summarizing the Auditor General's report, the submissions invited from stakeholders and the work plans submitted by government agencies. The Select Standing Committee made 2 additional recommendations:

1) Your committee recognizes the importance of protecting drinking water sources and the high priority that British Columbians place on this issue. Accordingly, your committee recommends that the progress on the 26 recommendations made in the Auditor General's report "Protecting Drinking-Water Sources" be reviewed and reported on every six months to the Select Standing Committee on Public Accounts.

2) Given the serious concern in the United States regarding ground-water contamination by the gasoline additive methyl tertiary butyl ether ("MTBE"), your committee recommends that the Ministries of Environment, Lands and Parks and Health examine the need for testing in British Columbia, and report back to this committee within twelve months with their findings.

This update was prepared by the Directors Committee in response to the first recommendation. Attachment 1 summarizes the status of activities to address the Auditor's recommendations. Attachment 2 contains 33 recently updated work plans which provide additional details on initiatives completed or underway which address the Auditor's 26 recommendations.

The work plans submitted represent a broad range of activities including research, policy reviews, policy revisions, legislative reviews, data management improvements, preparation

of technical guidelines, implementation of pollution prevention programs, water quality monitoring, education initiatives and enforcement.

Highlights of the progress made over the last 6 months include:

- Draft report reviewing water legislation with respect to water quality rights of consumers was completed.
- Review of sufficiency of specialists for forest approvals process was completed.
- Research on impact of recreation expanded to include Kelowna water supply; draft report on Vancouver Island portion of study was completed.
- Several non-point source pollution pilot projects completed and more initiated.
- Draft report on Nutrient Management Action Plan for the Fraser Valley was completed.
- Draft report for on-site sewage management was completed.
- Groundwater protection supported by distribution of Well Protection Toolkit, groundwater protection workshops and ongoing aquifer monitoring, mapping and inventory activities.

Over the next several months, significant progress is expected on a number of issues, for example:

- Guidelines for community-based watershed management will be published.
- A methodology for mapping water supply areas province wide will be developed.
- Provincial Health Officer's report on drinking water will be published.
- Consultations with Union of BC Municipalities regarding rights to water resources in community water supplies will have occurred.
- First set of water quality objectives pursuant to the Forest Practices Code will be developed.
- Highway Environmental Assessment Manual will be updated.
- Ministry of Transportation and Highways and MELP MOU on spill reporting will be updated.

- Guidelines and tool kit to assist local governments to manage on-site sewage will be completed.
- Waterworks Operators Manual will be published.
- Waterworks system classification and certification process will be in place.
- Guidelines for MTBE will be completed.

Lead Agency for Source Water Protection

One of the key recommendations in the Auditor General's report states that the Province should "designate within government a lead agency for drinking-water interests, to coordinate government policy and action on drinking-water issues." Although the audit focussed on source water issues, the recommendation regarding a lead agency was more comprehensive and addressed all aspects of source water protection, treatment and distribution, and monitoring. The government's response stated that the Office of the Provincial Health Officer and regional health authorities represent drinking-water interests in this broad context. Under the Safe Drinking Water Regulation (Health Act) the responsibility of ensuring the safety of drinking water from the intake to the tap is ultimately the responsibility of public health authorities and the purveyors they regulate. Health authorities will continue to serve as the lead for the broad scope of drinking water issues. In the narrower scope of the audit, the single lead agency for source water issues is the Ministry of Environment, Lands and Parks (MELP). MELP, through activities such as pollution prevention, water allocation, setting ambient water quality guidelines, monitoring and reporting on ambient water quality and participation in land use planning, has a clear mandate to protect drinking water sources.

Although there are many variations, sharing of responsibilities for drinking-water between health authorities and environmental agencies is seen consistently across Canada and the US. A single agency addressing all aspects of drinking water including source water protection, regulation of water systems and public health protection is not considered practical. In BC, MELP leads on source water issues and health authorities lead on water system regulation and public health protection.

To continue to advance efforts specific to protecting drinking water sources, MELP will:

1. Lead or promote legislative and policy review for groundwater and watershed-based protection measures for sources of drinking water in cooperation with other agencies who have responsibilities for source water protection.
2. Continue working closely with the Ministry of Health, regional health authorities and the Office of the Provincial Health Officer to ensure MELP's source water protection initiatives complement regional health authorities' responsibilities for regulating water treatment and distribution systems.
3. Continue to chair the Directors Committee on Drinking Water to support and coordinate the efforts of the other provincial agencies in implementing the Auditor General's recommendations.

Protecting Drinking Water Sources
Original Issue Date: April 1999
Date Followed Up: October 2000

Attachment 1: Implementation Status By Recommendation

Office of the Auditor General of British Columbia Recommendation	Implementation Status			Government Action Work Plan Title
	Fully	Partially	Alternative Action	
Water-source management in British Columbia is not integrated **We recommend that the Province:** 1. Ensure that in integrated management processes dealing with drinking-water issues: ▪ drinking-water consumers and suppliers are meaningfully represented		On-going implementation. Numerous tasks completed – further ongoing action required. Draft reports subject to stakeholder consultations.		Assessment of Opportunities for Consumer and Supplier Representation in Land and Resource Management Plans. Coordinating Forestry Land Use Practices with Public Health Protection Interests. Publish Community Based Watershed Guidelines.
▪ decisions are grounded in sufficient reliable information about natural conditions in the watershed and the values and impacts of competing resource uses		Contractor to be retained to test software. Work recently initiated. Completion by 2002.		Conduct Mapping of Water Supply Areas. Improve Integration & Access to Water Data.
▪ findings and recommendations are handed off to elected or appointed officials with the authority to act on them		Ongoing. Follow-up assessment underway.		Hand-off of Strategic Land Use Plans to Elected or Appointed Officials.

Protecting Drinking Water Sources
Original Issue Date: April 1999
Date Followed Up: October 2000

Attachment 1: Implementation Status By Recommendation

Office of the Auditor General of British Columbia Recommendation	Implementation Status			Government Action Work Plan Title
	Fully	Partially	Alternative Action	
2. Designate within government a lead agency for drinking-water interests, to coordinate government policy and action on drinking-water issues			MELP lead for source water. Regional health authorities regulate water systems. Directors committee coordinates all agencies. PHO assesses outcome.	Lead Agency on Source Water Protection.
3. Report annually, at both provincial and local levels, on its protection of drinking-water sources		1st PHO report due Jan – Feb '01. Consultations ongoing.		Provincial Health Officer's Reports on Drinking Water.
4. Issue a comprehensive set of guidelines for good drinking-water, so that decision-makers and citizens can better understand the information they receive about drinking-water quality		Participation on fed/prov. committee developing tap water guidelines ongoing. (Review of MTBE initiated by MELP).		Drinking Water Guidelines.
Improvements are needed in managing the effects of other resource uses on drinking-water sources **We recommend that the Province:** 5. Carry out a comprehensive evaluation of the rights of resource access of drinking-water suppliers, to determine if they are appropriate		Review of existing drinking water supplier rights completed. Stakeholder consultation to be initiated.		Evaluate Rights of Resource Access.
6. Implement, as soon as possible, the requirements of the Forests Practices Code to have certain key examinations and judgements done by licensed professionals	Already done. No additional actions planned.			Examinations and Judgements by Professionals.

Protecting Drinking Water Sources
Original Issue Date: April 1999
Date Followed Up: October 2000

Attachment 1: Implementation Status By Recommendation

Office of the Auditor General of British Columbia Recommendation	Implementation Status			Government Action Work Plan Title
	Fully	Partially	Alternative Action	
7. Determine whether it has sufficient specialists on staff to support its approval processes for forestry operational plans appropriately	Survey completed January 2000.			Sufficiency of Government Specialists.
8. Examine and regularly report on both its targets for on-site inspections of operations in community watersheds and the frequency of inspections it actually carries out		Compliance program review partly completed. Improvements underway.		Provincial Reporting of Inspections in Community Watersheds.
9. Develop water quality objectives for all community watersheds as a matter of priority, if such objectives are to remain the main legislated mechanism for results monitoring under the Forest Practices Code		Objectives are being developed. Pilot testing of streamlined approach underway.		Develop Water Quality Objectives Pursuant to the Forest Practice Code.
10. Clearly assign responsibility for monitoring whether water quality objectives are being met, at all stages of forest development within community watersheds		Implementation options being explored.		(see above work plan)
11. Give consideration to widening the range of results-based monitoring in community watersheds required under the Forest Practices Code		MELP and Forest Committee formed.		Results-Based Monitoring in Community Watersheds.

Protecting Drinking Water Sources
Original Issue Date: April 1999
Date Followed Up: October 2000

Attachment 1: Implementation Status By Recommendation

Office of the Auditor General of British Columbia Recommendation	Implementation Status			Government Action Work Plan Title
	Fully	Partially	Alternative Action	
12. Expand the range provisions of the Forest Practices Code to more effectively address risks from parasites		Research needs being explored by committee.		Cattle and Manure Management
13. Consistently separate the responsibilities for developing range use plans and for enforcing them, or introduce compensating controls	Regulation amendment passed September 2000.			Range Use Plan Review
14. Gather information on the impacts of recreation on drinking-water sources, as a basis for future policy development		Vancouver Island study completed. Kelowna watershed study ongoing.		Study Effects on Recreation on Drinking Water Sources
15. Give priority to planning and building transportation routes and infrastructure in ways that will prevent the degradation of drinking-water sources		Work initiated. Completion of update to manual Feb 2001.		Review Highway Environmental Assessment Process Manual
16. Continue to strengthen procedures to minimize damage to drinking-water sources from chemical spills and leaks, and to implement provisions to prevent wide-area (NPS) contamination		Numerous NPS abatement actions implemented during 99/00—Program is ongoing. Work initiated. Update of MOU by Feb-Mar 2001.		Implement the Non-Point Source Water Pollution Action Plan Update MoTH/MELP MOU to Include Spill Reporting Requirements.

Protecting Drinking Water Sources
Original Issue Date: April 1999
Date Followed Up: October 2000

Attachment 1: Implementation Status By Recommendation

Office of the Auditor General of British Columbia Recommendation	Implementation Status			Government Action Work Plan Title
	Fully	Partially	Alternative Action	
17. Develop region-specific regulations for agricultural sources of nutrients. 18. Strengthen compliance with the Code of Agricultural Practice for Waste Management through more outreach efforts to encourage voluntary compliance by farmers. 19. Give priority to monitoring compliance with the Code of Agricultural Practice for Waste Management, & to enforcement actions against non-compliant farmers, in order to maintain the incentive for voluntary compliance.		Stakeholder consultations ongoing. 1st Draft of Nutrient Management Action Plan completed.		Agriculture (Fraser Valley)
20. Consider giving approving officers the authority to take into account the cumulative impacts of septic tank systems when examining subdivision proposals		1st Draft report completed. Recommendations by 2001.		Drinking-Water Impacts from Septic Tank Systems
21. Determine whether there are areas of BC in addition to the Okanagan Valley where nutrient-control provisions for septic tank systems could help reduce the need for investment in new drinking-water sources, or in higher levels of water treatment		Work on Pilot to be initiated following completion of assessment of need.		Nutrient Control Provisions for Septic Tank Systems

Protecting Drinking Water Sources
Original Issue Date: April 1999
Date Followed Up: October 2000

Attachment 1: Implementation Status By Recommendation

Office of the Auditor General of British Columbia Recommendation	Implementation Status			Government Action Work Plan Title
	Fully	Partially	Alternative Action	
22. Complete & implement the proposal to help local gov't develop maintenance bylaws for septic tank systems		By-law drafted, consultations with UBCM underway. Completed 1st draft of consultant management guidelines and Toolkit.		On-Site Sewage Treatment Model Bylaw and Toolkit.
The absence of groundwater management has resulted in increasing problems **We recommend that the Province:** 23. Ensure regular monitoring of groundwater usage and levels in all developed aquifers across the province		5 new sites recently established. Ongoing program to expand number of sites.		Expand Observation Well Network.
24. Ensure that monitoring of groundwater quality occurs regularly in all developed aquifers in the province, and more frequently in all vulnerable aquifers		Fed/Prov monitoring agreement expected by April 2001. Well Protection Toolkit published and workshops to expand partnerships ongoing. Redrafting under way, regional health authorities being consulted.		Enhance Groundwater Quality Monitoring. Amendment of Sanitary Regulation.

Protecting Drinking Water Sources
Original Issue Date: April 1999
Date Followed Up: October 2000

Attachment 1: Implementation Status By Recommendation

Office of the Auditor General of British Columbia Recommendation	Implementation Status			Government Action Work Plan Title
	Fully	Partially	Alternative Action	
25. Establish a comprehensive and coordinated aquifer mapping and inventory program		50 aquifers recently added to database. An additional 50 to be added by April 2001. Options for regulating groundwater being considered.		Continue Aquifer Mapping & Inventory Program.
Small Water systems are particularly vulnerable to the impacts of inadequate water source protection **We recommend that the Province:** 26. Ensure that any examination of the rights and responsibilities of drinking-water system owners considers the special circumstances of small system users		Manual being drafted by consultant. System classification & operator certification criteria completed. Implementation planned by April 2001. Policies being drafted & consultation ongoing		Waterworks Operators Manual. Environmental Operators Certification–Waterworks Systems. Enhanced Enforcement of the Safe Drinking Water Regulation.
Additional Recommendation from Select Standing Committee on Public Accounts (April 2000) ...committee recommends that the Ministries of Environment, Lands and Parks and Health examine the need for testing [MTBE] in BC and report back to this committee within twelve months.		Monitoring initiated. Guideline development underway.		Develop Guidelines for MTBE

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Assessment of Opportunities for Consumer and Supplier Representation in Land and Resource Management Plans

Updated: October 27, 2000

Lead: Land Use Coordination Office, Anne Ferdinands

Auditor General's Recommendation:

Ensure that in integrated management processes dealing with drinking-water issues that: *drinking-water consumers and suppliers are meaningfully represented.*

Description:

The majority of drinking water consumers and suppliers are local governments. Elected or appointed officials at the municipal level continue to play a key role in the development of strategic land use plans (regional plans and sub-regional or LRMPs).

There are some limitations to addressing water issues in LRMP processes because of scale. LRMPs are done at a higher, strategic level than operational or lower level plans which are better suited to dealing with water issues. Having recognized that limitation, many of the 12 completed LRMPs have laid out specific objectives and strategies related to water. For the 6 ongoing LRMP processes, water issues are being raised and addressed by local governments, environmental groups and specific interest groups such as the Water Supply Association of BC.

In terms of provincial government involvement, staff from the Ministry of Environment, Lands and Parks deal with water issues as part of the LRMP process. Approval Support Teams, made up of headquarters' staff from MELP, MOF and MEM review LRMPs before Cabinet approval. These teams specifically look for reference to water objectives in LRMPs as a means of raising the priority of water at the strategic planning level.

One gap in the LRMP process has been the lack of communication with and involvement of regional Ministry of Health staff with expertise in drinking water issues. Opportunities are being made to improve their involvement at the information-gathering and regional Interagency Management Committee (IAMC) approval stages of an LRMP.

Work Plan:

1. For completed LRMPs, continue to involve local governments as part of plan implementation and monitoring.
2. For LRMPs nearing completion, Approval Support Teams are reviewing plans for reference to water objectives and strategies.
3. For LRMPs about to begin, in some areas regional Ministry of Health staff with expertise in drinking water issues are getting involved in the planning process (i.e. Sea to Sky LRMP).

Key Deliverables/Timelines:

Task 1 – ongoing.

Task 2 – as plans are circulated for approval.

Task 3 – underway in some areas where LRMPs are being initiated.

Status to Date:

Work on all 3 tasks implemented.

Coordinating Forestry Land Use Practices with Public Health Protection Interests

Updated: October 27, 2000

Lead (Support): Health, Bob Smith
(Forests, Garth Webber-Atkins; MELP, Rod Davis)

Auditor General's Recommendation:

Ensure that in integrated management processes dealing with drinking-water issues that: *drinking-water consumers and suppliers are meaningfully represented.*

Clarification of Current Activities and Processes:

Local government is often at the table in land-use decision making processes and often in the role of both water purveyor and water user. While participation may differ from region to region, most land use planning processes (LRMPs and other Higher Level Planning Processes under LUCO) solicit input and involvement from municipalities (who also act as purveyors), and in some instances, other purveyors. Notification of opportunities for input and involvement in such processes is often made in the local media, so there is ample opportunity for involvement from interested parties.

In some instances, there may be some miscommunication and/or misunderstandings regarding opportunities for water purveyors and consumers to provide input into land use planning processes. As such, government has endeavoured to survey those leading land use planning processes to find out how, when and to whom referrals were made to ascertain where the information loop has failed, to allow for appropriate remedying of the process.

Health regions are also involved in land use decision-making processes, which have potential impacts on drinking water. In addition, it is the role of Health Authorities to ensure, albeit usually retroactively, the potability of drinking water by ensuring that purveyor obligations through the Safe Drinking Water Regulation and the Health Act are met and that land owners respect the protection of drinking water sources through obligations under the Sanitary Regulation and the Health Act.

The land use processes are designed to ensure that drinking water concerns are considered prior to rendering land-use decisions. The ultimate land-use decision, however, must take into account the other resource values (socio-economic) within

the watershed. In some cases, drinking water may not be the highest or most important value in the watershed—drinking water is not always the defining factor for decisions—this is a balanced approach to decision making.

It is also important to note that much of the data that is available for decision making (regarding impacts to water) is based on correlational evidence as opposed to causal evidence —reliability of data may always be an issue similar to problems encountered when trying to ascertain specific sources of non-point source (NPS) pollution.

Description:

In 1997, regional health authorities, through the MOH raised concerns regarding Community Watersheds, Watershed Assessment Procedures and overall referral issues with regard to the Forest Practices Code and Forestry Planning processes. These concerns were expressed to the Joint Management Committee of the Forest Practices Code (FPC-JMC). A sub-committee of the FPC-JMC was set up to address Ministry of Health and Health Authorities' concerns, in particular, the endeavour is to improve processes and policies to ensure that health concerns are adequately heard in a timely manner and appropriately addressed.

There has been a great deal of miscommunication between the Ministry of Health and the Ministries of Environment, Lands and Parks and Forests regarding the role and mandate of the Health Authorities under the Health Act (in particular, the enhanced independence since and as a result of the regionalization of the Health Authorities to autonomous bodies). In addition, MOF/MELP referrals to Health Authorities for issues such as Community Watershed Designations and Watershed Assessments have not always been thorough or diligently undertaken. In most cases this was a result of problems associated with overlapping jurisdictional boundaries between the Ministries' regions.

Work Plan:

- Provide information on the Forest Practices Code and Range Management to regional health authorities through regional workshops.
- Improve referral processes at the regional level between the MOF, MELP and health authorities.
- Clarification of the roles and responsibilities of MOF, MELP and Health Authorities.

- Develop draft MOU templates for discussion at the regional level regarding how the Health Authority would like to be involved with operational plans for community watersheds and when referrals to the Health Authority should take place during Higher Level Planning processes and LRMPs.
- Develop a MOU on designation of Community Watersheds.
- Clarify the meaning and intent of "light occasional use" as defined in Range Practices.
- Improve the co-ordination/notification among the ministries and health authorities around toxic and chemical spills.
- Review recreational use of Crown lands and purported impact on drinking water quality.
- Complete Water Quality Objectives for community watersheds.
- Lead committee on range and dairy cattle operations' effects on pathogen introduction into watersheds.

Status to Date:

- Agreement from the FPC-JMC to set up a sub group to address Health concerns (Oct 1998).
- Presentation on Range Practices and Forest Planning undertaken at the Chief Environmental Health Officers Council meeting in Nanaimo (November 1999).
- Contact lists of Health Authorities for Forestry and Environment Districts/Regions completed (list forwarding to regions in progress) for improved referrals.
- Contact list of MELP/MOF water contacts and Forestry contacts for Health Authorities completed (distributed to Health Authorities) for improved referrals.
- Roles and Responsibilities Matrix for MOH, MELP and MOF regarding water mandates completed.
- Letter from ADM Forestry Operations to District managers re: health involvement in Forest Development Processes, Watershed Assessment Procedures and Community Watershed designations and opportunities for involvement—drafted (Oct. 2000).
- Working Group established for Range and Dairy cattle operations' effects on pathogen introduction into watersheds.

Publish Community Based Watershed Guidelines

Updated: August 25, 2000

Lead (Support): MELP, Jim Mattison

Auditor General's Recommendation:

Ensure that in integrated management processes dealing with drinking-water issues that: *drinking-water consumers and suppliers are meaningfully represented.*

Description:

Watershed planning guidelines are being prepared to support community-led stewardship initiatives to conduct watershed management planning. These guidelines consist of 2 documents "Guide to Watershed Management in BC" "Tools for Managing Water Resources in BC." Discussions are underway to co-publish these documents with Department of Fisheries and Oceans (DFO) and the BC Watershed Stewardship Alliance (BCWSA). The "guide" outlines the basic steps of organizing a community watershed forum, conducting a watershed assessment, developing objectives and taking action. The "tools" document provides a description of regulatory and planning tools available to local and provincial agencies, which can be used to implement actions. The watershed planning procedures described are intended to complement and support other existing planning processes to address water resource issues identified at the local watershed level including protecting drinking water sources. Communities that have completed watershed planning will be well prepared and can submit clearly defined issues and actions to protect their interests to integrated planning tables.

Work Plan:

1. Draft and conduct internal review by MELP headquarters and regions: *completed.*
2. Review by Ministry of Municipal Affairs & Ministry of Fisheries: *completed.*
3. Discussions with DFO & BCWSA regarding co-publication: *ongoing.*

4. Submission for MELP executive approval: *approved for external consultation.*
5. Edit and publish (hard copy and Internet).
6. Provide ongoing technical support and advice to communities applying guidelines.

Key Deliverables/Timelines:

Items 1 to 4: *Completed.*

Item 5: December 2000.

Item 6: Commences after publication.

Status to Date:

MELP internal review and review by MMA and Provincial Fisheries is complete; documents approved by executive for external review and consultation. Discussions with DFO & BCWSA underway.

Conduct Mapping of Water Supply Areas

Updated: October 27, 2000

Lead (Support): MELP, Jim Mattison

Auditor General's Recommendation:

Ensure that in integrated management processes dealing with drinking-water issues that: *decisions are grounded in sufficient reliable information about natural conditions in the watershed and the values and impacts of competing resource uses.*

Description:

Have Geographic Data BC apply their methodology to map water supply areas on both Crown and private land that serve as sources of drinking water to communities. This mapping has been previously completed for watersheds designated as Community Watersheds under the Forest Practices Code; the remaining watersheds would be mapped using this procedure. Provincial scale mapping of water supplies has not been attempted in the past because the process has not been automated. Water supply areas to be mapped include drinking water sources such as springs, lake catchments, critical portions of large watersheds (greater than 500 sq.km.) and water supplies on private forest lands and other private lands. Mapping water supply areas will provide provincial agencies, health authorities and drinking water users with information delineating sources of drinking water not presently available. This information can be submitted to land use planning processes or be used by regional health authorities and purveyors to identify risks to source waters.

Work Plan:

1. Determine role of Geographic Data BC (GDBC).
2. GDBC and MELP define the scope and extent of work and request project approval.
3. Evaluate POD (Point of Diversion) data for compliance with TRIM. Correct if not within tolerance.
4. Address "face units" (the areas between true watersheds); can they be automated or must it remain an entirely manual process?

5. Develop a standard set of attributes for the query.
6. Test and refine procedure for a small set of PODs, or a pilot watershed
7. Implement methodology at provincial level.

Key Deliverables/Timelines:

Task 1: completed Sept. 21, 2000.

Task 2: Dec 1, 2000.

Tasks 3 – 5: March 2001.

Task 6: May 2001.

Task 7: Estimated by September 2001.

Status to Date:

Project has been planned and awaiting approval for support from Geographic Data BC.

Improve Integration and Access to Water Data

Updated: October 27, 2000

Lead (Support): MELP, Jim Mattison (Health, Bob Smith)

Auditor General's Recommendation:

Ensure that in integrated management processes dealing with drinking-water issues that: *decisions are grounded in sufficient reliable information about natural conditions in the watershed and the values and impacts of competing resource uses.*

Description:

The provincial government response to recommendation #1 acknowledged the need for better information access and data sharing to assist resource managers, planners and decision makers in addressing drinking water source issues. Work is currently underway to improve data access and exchange between the Ministry of Environment Lands & Parks and regional health authorities to make better use of existing information on source water quality. This includes the use of existing databases and GIS tools to facilitate integration, availability and analysis of surface and groundwater information.

Work Plan:

Undertake a one-year pilot project with the Coast Garibaldi and South Fraser Health Regions to:

- Develop a process to capture, store and share information on selected surface and groundwater sources used for human consumption, and improve ways to make this information available for drinking water source protection efforts by MELP, Health Regions, purveyors, and local planners and decision makers in the pilot project areas; and,
- Demonstrate the benefits of improved information collection, integration and sharing between MELP, Health Regions, Ministry of Health, purveyors and others to support subsequent efforts for wider data integration and access.

Tasks include:

1. Obtain available information on surface and groundwater sources, water systems and related data in the pilot areas from existing databases such as EMS, WSACS, WELL and WLIS. Cross-reference the information using a common

identifier such as an EMS number. Identify data issues and incompatibilities (e.g., data standards, maintenance, and end user support). Confirm the data needs of users, including MELP, EHOs and purveyors.

2. Develop a sanitary survey checklist for field inspections. Field inspect the water systems to verify existing and obtain additional information. Tag the systems if they are appropriate for source monitoring.
3. Delineate watersheds and preliminary groundwater capture zones for selected water systems. Plot water systems and watersheds/groundwater capture zones on GIS.
4. Develop appropriate sampling protocols for each water system and draft an agreement between MELP, MOH and purveyors (as appropriate) to follow these protocols for future source water sampling. The protocols could include minimum QA/QC requirements and using EMS to store the results.
5. Develop and test a cost-effective process to improve data integration and access, adapting existing methods and databases where practical. Demonstrate potential benefits for Health Regions of access to EMS water quality data reports through EHO queries, such as exceedance of water quality guidelines, maximum, minimum, and median values, and percentage of time exceeded. Demonstrate potential benefits for Health Regions of access to GOAT (MELP Geographical Information System) to obtain watershed, capture zone and other related information (e.g., contaminated sites, permitted discharges, other water licences and wells, etc.).
6. Develop procedures for maintaining and updating these methods.
7. Undertake a regional workshop(s) in Squamish and/or Langley to acquaint MELP staff, regional health authorities and other appropriate users with the new process and encourage its use. Identify for later follow-up additional training needs for data collection, interpretation, importance of data integration, GIS tools, etc.
8. Assess how the results of this pilot project (such as protocols for sampling and data access) could be extended to the rest of the province.

Key Deliverables/Timelines:

To demonstrate the benefits of improved data access and integration

- Draft protocol agreement on sampling, QA/QC, data access and integration between MELP and Health Regions;
- Final report outlining key recommendations, benefits and challenges;
- Package of data forms, customised checklist of sampling procedures, etc.;
- Description of the amended process for data access and integration;
- Workshop and training needs.

To deliver a useful set of environmental and public health information for local planning and decision making in the pilot project areas

- Correlation of various water and public health databases.
- Watershed and capture zones delineated for water systems.
- Potential aquifer vulnerability and surface water quality exceedances identified.

Timeline

- May 2000: Project definition and work planning.
- June 2000: Met with Health Regions & other partners to finalize work plan, seek their commitment to participate, and detail the next steps.
- Sept. 2000: Hired co-op student. Contacted water purveyors and EHOs for available information. Reviewed EMS, WSACS, WELL and WLIS.
- Oct. – Nov. 2000: Data collection/field inspections. Start water system delineation, aquifer vulnerability assessment, etc. Determine sampling protocols for each system.

- Dec. 2000: Develop data linkages for EMS & GOAT for each system. Prepare protocols for EHO review. Draft project summary & recommendations. Develop a GOAT presentation on data access & integration, using custom maps/data for the pilot areas.
- Jan. – Mar. 2001: Finalize and refine the products. Hold regional workshop(s). Determine next steps.

Status to Date:

Project proceeding according to above tasks and schedule.

Hand-off of Strategic Land Use Plans to Elected or Appointed Officials

Updated: August 3, 2000

Lead (Support): Land Use Coordination Office, Anne Ferdinands

Auditor General's Recommendation:

Ensure that in integrated management processes dealing with drinking-water issues that: *findings and recommendations are handed off to elected or appointed officials with the authority to act on them.*

Description:

Elected or appointed officials at the municipal level play a key role in the development of strategic land use plans (regional plans and sub-regional or LRMPs). Local government participation has occurred in all planning areas and was improved with the development of a policy for involving local government as an order of government, not simply as another stakeholder, in LRMPs. The "Policy for Involving Local Government in Land and Resource Management Plans" was endorsed by the UBCM and approved by the Deputy Ministers' Committee on Land Use in November 1996. The policy has provided clear direction to provincial government staff participating in LRMPs regarding involving both local government staff and elected officials in the strategic planning process. All completed and approved land use plans are handed off to elected or appointed officials with the authority to act on them. However, approved land use plans provide policy direction only and are not legislated. Exceptions are those elements of completed plans which have been designated "higher level plans" under the Forest Practices Code.

Work Plan:

1. Continue to hand off completed plans to elected or appointed officials with the authority to act on them.
2. Initiate some follow-up with local governments through LRMP implementation and monitoring groups.
3. Review local governments' actions following hand-off of completed plans.

Key Deliverables/Timelines:

Task 1 – ongoing; already occurs as plans are completed.

Task 2 – ongoing through LRMP implementation and monitoring.

Task 3 – fall 2000.

Status to Date:

As above.

Lead Agency on Source Water Protection

Updated: September 22, 2000

Lead (Support): MELP, Jim Mattison

Auditor General's Recommendation

Designate within government a lead agency for drinking-water interests, to coordinate government policy and action on drinking-water issues.

Description:

The Auditor General's report focussed on source water issues, however the recommendation that "the Province designate within government a lead agency for drinking water interests" is more comprehensive. Addressing drinking-water interests involves source water protection, treatment, distribution and monitoring. The government's response stated that the Office of the Provincial Health Officer and regional health authorities represent drinking-water interests. The responsibility of ensuring safe drinking water from the intake to the tap is ultimately the responsibility of health authorities and the purveyors they regulate. The Ministry of Environment, Lands and Parks (MELP) is the lead agency for addressing source water issues. The Ministry achieves this through activities such as pollution prevention, setting ambient water quality guidelines, monitoring, reporting on water quality and participating in land use planning.

Coordination of MELP programs and Ministry of Health programs are supported under the terms of a Memorandum of Understanding to specifically address drinking water issues. Broader coordination of activities among all the nine agencies with interests in and responsibilities for drinking water issues is achieved through the Directors Committee on Drinking Water which is chaired by MELP.

Work Plan:

1. Lead or promote legislative and policy review for ground-water and watershed-based protection measures for sources of drinking water in cooperation with other agencies who have responsibilities for source water protection.
2. Continue working closely with the Ministry of Health, regional health authorities and the Office of the Provincial Health Officer to ensure MELP's source water protection initiatives complement regional health authorities responsibilities for regulating water treatment and distribution systems.
3. Continue to chair the Directors Committee on Drinking Water to support and coordinate the efforts of the other provincial agencies in implementing the Auditor General's recommendations

Key Deliverables/Timelines:

1. Develop comprehensive MELP program: March 2001.
2. Complete legislative review and consultations: October 2001.
3. MELP/Health MOU: *ongoing*.
4. Directors Committee: *ongoing*.

Status to Date:

MELP/Health MOU signed in June 1999. MELP program review initiated. Conceptual legislative options being developed. Directors Committee was established November 10, 1998 and has met 10 times since.

Provincial Health Officer's Reports on Drinking Water

Updated: October 27, 2000

Lead (Support): Office of the Provincial Health Officer (PHO), Dr. Shaun Peck

Auditor General's Recommendations:

Report annually, at both provincial and local levels, on its protection of drinking-water sources. Issue a comprehensive set of guidelines for good drinking water, so that decision-makers and citizens can better understand the information they receive about drinking-water quality

Description:

Provincial Health Officer Report on Drinking Water Sources—Data collection, analysis and report writing

The Provincial Health Officer has been asked to assess the quality of BC's drinking water and report annually to the Minister of Health. The Office of the Provincial Health Officer will be putting together a series of reports on drinking water sources. The first report will focus on providing the public with a better understanding of drinking water issues and management in BC. In particular, this first report will discuss the following: Current drinking water situation in BC (water quality and related health statistics and trends; public perception of drinking water issues and relevance in drinking water management; asserting and ascertaining health risk and risk drivers; management of drinking water in the province; program funding issues—costs and benefits comparison with other government programs); Methods and limitation of source water quality—protection, remediation and water treatment (protection at the source; water treatment, distribution system operation and maintenance (O & M); in-house water treatment devices, bottled water); How do we compare? Other jurisdictions; Response to the Auditor General Report recommendations; Provincial Health Officer recommendations; future reporting. The second and third reports will provide assessments of the individual water systems in the province based on the data elements and defined minimum data set.

Work Plan:

- Steering Committee established (Aug./Sept. 1999)
- Present conceptual overview for report at UBCM (Sept. 1999)
- Draft outline for PHO report on drinking water (Oct. 1999)
- Review by Medical Health Officers (MHOs) Council (Oct. 1999)
- Review by Chief Environmental Health Officers (CEHOs) Council (Nov. 1999)
- Finalize outline (Nov. 1999)
- Formation of Advisory Committee (membership to include MELP, MHOs, CEHOs, Public Health Engineers (PHEs), BC Water & Waste Association rep.,) (Nov. 1999)
- Data elements on water systems for future reports (general geographic descriptors, source information, treatment information, distribution system information, O & M issues, regulatory compliance and commentary) (Nov. 1999)
- Work with MHOs, CEHOs and PHEs to define the minimum data set for the data elements component
- Resolve computer issues regarding reporting data elements (ongoing)
- Draft report #1 for PHO (March/April 2000)
- Draft report #2 (August 2000)
- Advisory Committee reviews
- Finalization of report – printing and distribution, tabling to Legislature/Minister of Health
- PHO Public Report #1 – Explanation of drinking water issues and state of drinking water (Jan–Feb 2000)
- PHO Public Report #2 – Assessment of large drinking water systems (also available on the Internet) (May 2002)
- PHO Public Report #3 – Assessment of smaller drinking water systems (May 2004)
- Internet access for reports and report updates (ongoing following reports #2 and #3)

Key Deliverables/Timelines:

- PHO Public Report #1 – Explanation of drinking water issues and state of drinking water (Jan–Feb 2000)
- PHO Public Report #2 – Assessment of large drinking water systems (also available on the Internet) (May 2002)
- PHO Public Report #3 – Assessment of smaller drinking water systems (May 2004)

Status to Date:

Report #1 under development. Input from consultations on initial draft components being incorporated.

Drinking Water Guidelines

Updated: July 27, 2000

Lead: Ministry of Health, Bob Smith

Auditor General's Recommendation:

Issue a comprehensive set of guidelines for good drinking water, so that decision-makers and citizens can better understand the information they receive about drinking-water quality.

Description:

National guidelines for drinking water quality that can be used by local health authorities, water purveyors and individuals as a benchmark for evaluating their drinking-water quality.

Supporting documentation for each guideline to allow local health authorities, water purveyors and individuals to understand the relative significance of laboratory results for any given water quality variable.

Guidelines are developed through consensus by representatives of the Federal-Provincial Subcommittee on Drinking Water, and are ratified by the Committee on Environmental and Occupational Health. Guidelines are developed on the basis of exposure assessments, which evaluate population exposure to the parameters under review, animal studies and human epidemiology.

The drinking water program seeks to influence change at the Federal-Provincial Subcommittee on Drinking Water to move the process for guideline development toward stochastic methodology and to increase the priority placed on development of microbiological guidelines and supporting documentation.

Work Plan:

Continue to contribute to the review and assessment of guidelines for the 9 chemical parameters currently in preparation. On-going time lines.

Continue to contribute to the review and assessment of guidelines for the 2 microbiological parameters currently in preparation. On-going time lines.

Clarify Ministry of Health position on the application of the Guidelines for Canadian Drinking Water Quality through policy development. Preliminary drafts for discussion of a Potability

Policy and a Terms and Conditions of an Operating Permit completed November 4, 1999.

Represent British Columbia at two Federal-Provincial Subcommittee on Drinking Water meetings each year.

Status to Date:

Guidelines have been developed for:

- 82 chemical parameters,
- 1 microbiological parameter,
- 78 radionuclides

Supporting Documentation has been developed for:

- 82 chemical parameters,
- 1 microbiological parameter,
- radionuclides,
- radon,
- issuing boil water advisories

29 parameters for which no guideline needs to be developed have been identified.

Draft guidelines and supporting documentation have been developed and are under review for an additional 9 chemical parameters.

Draft guidelines and supporting documentation have been developed and are under review for an additional 2 microbiological parameters.

Evaluate Rights of Resource Access

Updated: August 25, 2000

Lead: Ministry of Environment, Lands and Parks, Jim Mattison

Auditor General's Recommendation:

Carry out a comprehensive evaluation of the rights of resource access of drinking-water suppliers, to determine if they are appropriate.

Description:

This initiative will: (1) develop an understanding of the present rights of drinking water suppliers, the concerns that suppliers have with regard to the adequacy of these rights, and the experiences of other jurisdictions; and (2) reach some conclusions with respect to the appropriateness of existing rights and, if necessary, outline options for further consideration.

Work Plan:

Phase 1: identify the statutory rights and explore the common law rights of drinking water suppliers, including individual users, with regard to both quantity and quality, and with respect to both surface and ground water; it will require a legal review by the Ministry of Attorney General, and it will produce a summary report of the findings.

Phase 2: will depend on the findings and conclusions from phase 1. Potentially, it may involve a study of water quality issues and protective measures in other jurisdictions; including consultation with a range of drinking water suppliers and UBCM; it will result in an assessment of the adequacy of rights in British Columbia, and if necessary it will develop options to amend those rights.

Key Deliverables/Timelines:

Draft report on the present rights of BC drinking water suppliers completed.

December 31, 2001—Depending on the outcome of Phase 1, complete consultations on the appropriateness of rights of drinking water suppliers.

Status to Date:

Draft report reviewing statutory rights and common law rights is completed. Initial consultation with UBCM planned.

Examinations and Judgements by Professionals

Updated: October 27, 2000

Contact: Ministry of Forests, Garth Webber Atkins

Auditor General's Recommendation:

Implement, as soon as possible, the requirements of the Forests Practices Code to have certain key examinations and judgements done by licensed professionals.

Description:

Phase-in of hazard mapping requirements and work done by professionals.

Work Plan:

All terrain stability hazard mapping, and terrain stability field assessments have been carried out by qualified registered professionals since December 1998.

As of June 15, 2000, all community watersheds must have terrain stability hazard mapping done for them. All the mapping must have been done by a qualified registered professional.

Key Deliverables/Timelines:

June 15, 2000. Completion of phase-in provisions of the Forest Practices Code.

Status to Date:

Complete.

Phase-in of requirements of FPC is complete.

Sufficiency of Government Specialists

Updated: August 10, 2000

Lead: Ministry of Forests, Garth Webber Atkins

Linkages With Auditor General Report: Recommendation:

"We recommend that the Province determine whether it has sufficient specialists on staff to support its approval processes for forestry operational plans appropriately."

Description:

The Ministry of Forests conducted an internal survey in which staff were asked to advise of whether or not they felt they had sufficient specialists on staff to support the operational plan approval process.

Work Plan:

Informal survey carried out between December 7, 1999 and Jan 14, 2000.

Results indicate that MOF staff feel they have sufficient specialists on staff to support the approval process.

The results of this survey do not suggest any further work is needed.

Key Deliverables/Timelines:

Survey completed Jan 14, 2000.

Status to Date:

Complete.

Provincial Reporting of Inspections in Community Watersheds

Updated: October 27, 2000

Lead: Ministry of Forests, Garth Webber Atkins

Auditor General's Recommendation:

Examine and regularly report on both its targets for on-site inspections of operations in community watersheds and the frequency of inspections it actually carries out.

Description:

Reporting of inspections in community watersheds.

Work Plan:

The Ministry of Forests is currently reviewing its compliance and enforcement program. Reporting requirements are being examined as part of this review. Compliance procedures and inspection templates are being modified. A compliance planning and reporting system is being developed to bring all inspection data into one system. This system will support the implementation of the results of the review for all forest management program areas. In particular, the system will incorporate risk assessments and assign a priority for inspection. It will be possible to report on frequency of inspections within community watersheds from this system.

Key Deliverables/Timelines:

Completion and approval of compliance procedures and inspection templates by Feb 1, 2001.

Requirement and design of the new compliance planning and reporting system by March 31, 2001. Field testing to begin in spring of 2001.

Status to Date:

Partially complete.

Phase 1: First phase of compliance program review is completed: training on compliance manual and selection of working groups to develop compliance procedures.

Phase 2: Underway: drafting, field testing, review and feedback on compliance procedures and inspection templates. Computer system development plan initiated. Initial reporting requirements determined.

Develop Water Quality Objectives Pursuant to the Forest Practices Code

Updated: October 27, 2000

Lead (Support): Ministry of Environment, Lands and Parks, Jim Mattison

Auditor General's Recommendations:

Develop water quality objectives for all community watersheds as a matter of priority, if such objectives are to remain the main legislated mechanism for results monitoring under the Forest Practices Code.

Clearly assign responsibility for monitoring whether water quality objectives are being met, at all stages of forest development within community watersheds.

Description:

(1) Refine the manner in which objectives are developed and checked for attainment using the current Ministry "traditional method." This generally deals with sample collection, data management issues and could lead to about six watersheds per year for the next several years having objectives set. (2) Complete a new "streamlined approach" which will permit, at the discretion of knowledgeable regional staff, the use of a set or sub-set of pre-determined Water Quality Objectives in watersheds with exceptional water quality. (3) Explore options for implementing monitoring attainment of water quality objectives.

Work Plan:

1. Traditional Method:

- Draft data interpretation standard – *completed.*
- Support staff in Regions by providing the first basic training course on developing water quality objectives – *completed.*
- Test new data interpretation standard during March – November, 2000.
- Complete data interpretation standard by December 31, 2000
- Support contract staff in Regions in developing the first two draft water quality assessment and objectives reports by October 31, 2000.
- Produce electronic templates for regional staff to facilitate the development of water quality objectives using the "traditional" approach by December 31, 2000.

2. Streamlined Approach:

- Work with the Ministry of Forests to address any remaining concerns which they may have about the draft "streamlined" approach—completed.
- Regions select up to 15 potential watersheds that might be piloted—completed.
- Headquarters staff assess collected monitoring data, and finalize selection of five pilot watersheds in conjunction with regions—completed.
- Regions organize sampling to take place in candidate watershed, five times weekly in 30 days, by June 30, 2000 (completed) and November 30, 2000 (coastal areas).
- Report to the Joint Management Committee (JMC) of MELP and MoF on the progress of the pilot projects by November 15, 2000.
- Approval from JMC for new procedure by April 30, 2001.
- Support staff in Regions by providing the first basic training course on developing water quality objectives using the "streamlined" approach, by May 31, 2001.
- Contractors prepare water quality assessment reports for the five watersheds and propose water quality objectives from the streamlined table, by June 30, 2001.
- MoF and stakeholders review draft assessment reports, with review comments incorporated by September 30, 2001.
- MELP executive approves water quality objectives by October 31, 2001.
- Produce for regional staff electronic templates to facilitate the development of water quality objectives using the "streamlined" approach. To be completed by May 31, 2001.
- Regions begin compliance monitoring in October 2001.
- MELP report results to JMC each September thereafter.

3. Monitoring Attainment:

- Explore options for funding and implementing monitoring attainment of water quality objectives (WQOs).

Key Deliverables/ Timeline:

1. Traditional Approach

Training regional staff on preparation of WQOs	Complete
Develop data interpretation standard	December 2000
Draft WQOs developed in six watersheds (Southern Interior)	December 2000
Inventory data being collected in about 30 watersheds	Ongoing
Electronic template for WQO development	March 2001
Draft WQOs developed in 19 additional watersheds (Kootenay – 4, Southern Interior (S.I.) – 9, Lower Mainland - 6)	April 2001
Draft WQOs developed in 14 additional watersheds (S.I.)	April 2002
Draft WQOs developed in 8 additional watersheds (S.I.)	April 2003

2. Streamlined Approach:

Draft Policy/Procedure approved by MELP Executive	Complete
Consultation with MoF to resolve technical issues	Complete
Sampling of pilots begins	Complete
Candidate streams nominated by Regions	Complete
Pilot streams finalized	Complete
Sampling undertaken in candidate streams	June - November 2000
Candidate pilot streams with existing data nominated	October 2000
Draft WQOs prepared	June 2001
Draft WQOs circulated for stakeholder review	July 2001
WQOs finalized	September 2001
WQOs approved by MELP executive	October 2001
Electronic template for WQO development	May 2001

3. Monitoring Attainment:

Estimate funding requirements	Complete
Consult regional requirements	Ongoing
Consult Ministry of Forests	Planned
Implement program	2001 - 2002

Status to Date:

- Internal approval has been received from MELP for: (1) the draft procedure for monitoring attainment of WQOs, and (2) the draft streamlined Policy for developing water quality objectives in watersheds with excellent water quality.
- Contractors have been hired to prepare first six WQOs documents.
- Training session held for 10 regional staff and/or their consultants from Southern Interior office (Vernon) February 14 – 16, 2000.
- Data interpretation standard checked for validity at the Vernon training session. Further testing during preparation of first six water quality assessment reports.
- Monitoring in more than thirty priority watersheds for the purpose of developing water quality objectives under the Forest Practices Code is near completion in several watersheds. Meeting held with MoF to resolve technical issues related to developing WQOs using the "streamlined" approach.
- JMC has approved proceeding with the traditional approach and to "pilot" for one year the streamlined approach, but with no force of law.
- Pilot testing has begun at two watersheds in the Southern Interior region and three in the Lower Mainland area.
- Consultations with regional operations to estimate attainment monitoring costs and options ongoing.

Results-based monitoring in Community Watersheds

Updated: August 10, 2000

Lead: Jointly: Ministry of Forests, Garth Webber Atkins and Ministry of Environment, Lands and Parks, Jim Mattison

Auditor General's Recommendation:

Give consideration to widening the range of results-based monitoring in community watersheds required under the Forest Practices Code.

Description:

Results-based monitoring.

Work Plan:

1. Establish joint committee – *done.*
2. Review literature referenced in the Auditor General's report.
3. Identify how other indicators are observed or factored into current management.
4. Assess feasibility and desirability of monitoring other indicators.
5. Report findings and recommendations.

Key Deliverables/Timelines:

Report on the need for and feasibility of a broader range of results-based monitoring by March 31, 2001.

Status to Date:

Co-chairs assigned. Committee formed. Terms of reference under development. Expected to begin work in September 2000.

Cattle and Manure Management

Updated: October 27, 2000

Lead: Ministry of Health, Bob Smith

Auditor General's Recommendation:

Expand the range provisions of the Forest Practices Code to address risks from parasites more effectively.

Description:

Pursuant to the direction of the Director's committee on Drinking Water, a committee has been established to address research needs for issues raised in recommendation #12 of the Auditor General's Report on Protecting Drinking-Water Sources. The committee is tasked with reviewing existing technical information related to cattle management and waterborne pathogens, identifying data gaps, and evaluating the linkages between range and riparian management strategies and the presence of waterborne pathogens and other public health indicators.

The committee will also work to establish communication between groups with overlapping interest to enable co-operative ventures.

Work Plan:

- To perform literature searches for scientific studies on the relationships between domestic livestock production/ management, cattle management practices and the presence of waterborne pathogens in drinking water sources.
- To identify gaps in data necessary for properly evaluating relationships between cattle management strategies and waterborne pathogens.
- Consult and coordinate with existing research project chairpersons on information findings.
- To evaluate the effectiveness of range and riparian management under the Forest Practices Code in minimizing the introduction of waterborne pathogens into drinking water sources.
- To undertake a jurisdictional review of cattle management practices in other provinces and States.

- To make recommendations back to the Directors' Committee in regards to areas for more research, monitoring and funding support.

Key Deliverables/Timelines:

- Terms of Reference of the working group. September 2000
- Establishment of communications between all agencies engaging in manure or cattle management evaluation or protocol development. Fall 2000.
- Report to Directors Committee. Spring 2001.

Status to Date:

- Terms of Reference of the working group. September 2000.
- Contact made with Range Branch of MOF in Kamloops, a multi-jurisdictional working group in the Bulkley Valley, and the Nutrient Management Subcommittee of the 10 Point Action Plan Partnership (for the Fraser Valley).
- Framework of a draft report available through an independent project initiated by Range Branch of MOF, Regional Office, Kamloops.

Range Use Plan Review

Updated: Oct 27, 2000

Lead: Ministry of Forests, Garth Webber Atkins

Auditor General's Recommendation:

Consistently separate the responsibilities for developing range use plans and for enforcing them, or introduce compensating controls.

Description:

Separation of responsibilities of MOF and range licensee in preparing the Range Use Plan.

Work Plan:

Amend the Operational Planning Regulation and Range Practices Regulation to more clearly separate the responsibilities of MOF and the range licensee during plan preparation.

Key Deliverables/Timelines:

Regulation amendment passed in September 2000.

Status to Date:

Complete.

Study Effects of Recreation on Drinking Water Sources

Updated: August 23, 2000

Lead (Support): Ministry of Environment, Lands and Parks, Jim Mattison (City of Kelowna, Mark Watt; BC Centre for Disease Control, Dr. Judy Isaac-Renton; plus three irrigation districts in Kelowna area).

Auditor General's Recommendation:

Gather information on the impacts of recreation on drinking-water sources, as a basis for future policy development.

Description:

The Auditor General recommended that information should be gathered on the impacts of recreation on drinking-water sources, as a basis for future policy development. Watersheds on Vancouver Island subject to varying levels of public access were studied to determine the relationship with selected water quality characteristics. Further studies are being carried out in the Okanagan. This information will be used to develop provincial policies regarding recreation in water supply areas.

Work Plan:

1. Establish a multi-agency steering committee with representatives from Ministry of Health, CRD Water, a regional Health Unit, Health Canada, University of Victoria, UBC, and headquarters and regional MELP staff.
2. Study 3 watersheds on Vancouver Island with different levels of recreational access, one of which is highly restricted.
3. Complete data report on Vancouver Island project.
4. Study several watersheds in the Kelowna area with higher levels of recreational activity and detailed information on recreational use.
5. Complete data report on Kelowna project.
6. Prepare an overall technical report interpreting and summarizing findings from both projects.

Key Deliverables/Timelines:

Item 1: Completed.

Item 2: Completed.

Item 3: Underway.

Item 4: Study is underway, sample collection now more than half complete.

Item 5: Target completion March 2001.

Item 6: Target completion September 2001.

Subsequently, policy guidelines on recreational access will be prepared.

Status to Date:

The Vancouver Island project field phase is completed, data analysis is complete and report is in draft form. Kelowna area project underway.

Review Highway Environmental Assessment Process Manual

Updated: October 27, 2000

Lead (Support): Transportation and Highways, Mike Kent (MELP, Jim Mattison)

Auditor General's Recommendation:

Give priority to planning and building transportation routes and infrastructure in ways that will prevent the degradation of drinking water sources.

Description:

The Highway Environmental Assessment Process Manual describes how the environmental assessment process works, how it meets the requirements of various pieces of legislation, and how it fits with other agencies' processes. This manual will be reviewed to determine opportunities to more explicitly reference drinking water issues. MoTH, MELP and Health will work together to ensure new information regarding best management practices for road design and maintenance are included in this document.

Work Plan:

Activities: Key activities include:

- Organize work group to review current document.
- Prepare an appendix of sensitive area types (including drinking-water sources) to be added to the document.
- Prepare a list of road design and maintenance best management practices specific to protecting surface and groundwater sources of drinking water.
- Consult with regional staff on the proposed edits.
- Finalize the proposed edits.
- Update the Environmental Assessment Process Manual.

Key Deliverables/Timelines:

- Work group members identified by March 31, 2000.
- Develop an appendix of sensitive areas by December 31, 2000.
- Develop a list of road design and maintenance best management practices by December 31, 2000.
- Consultation with regional staff on draft edits by February 15, 2001.
- Finalize proposed edits by February 15, 2001.

Status to Date:

See above.

Implement the Non-Point Source Water Pollution Action Plan

Updated: August 21, 2000

Lead (Support): Ministry of Environment, Lands and Parks, Jim Mattison

Auditor General's Recommendation:

Continue to strengthen procedures to minimize damage to drinking water sources from chemical spills and leaks and to implement provisions to prevent wide area (non-point source) contamination.

Description:

The provincial NPS Action Plan outlines 20 actions to help prevent and manage NPS in BC. The impacts to drinking water sources such as groundwater and surface waters will be an important focus. Because solutions to NPS are long-term and must come from all sectors and the public, implementation of the Action Plan includes the MELP providing leadership, supporting others and building partnerships, and delivery through pilot projects. Key partners include MELP Regions (through projects and existing work plans), Environment Canada (Georgia Basin Ecosystem Initiative), local government, stewardship groups, industry associations and educational institutions.

Work Plan:

Key activities include:

1. Support about 10 projects per year in cooperation with regional operations, local governments and community groups.
2. Continue long-term support for water education initiatives.
3. Establish a local government NPS Committee.
4. Development of an NPS web site.
5. Prepare a NPS Best Management Practices (BMP) technical compendium.

Key Deliverables/Timelines:

Item 1: 11 projects undertaken during 1999/2000; nine projects are being planned for 2000/2001.

Item 2: Agreement to fund the "Water Crew" renewed for 2000/2001.

Item 3: Local government committee established, first meeting held in February.

Item 4: Web site under preparation, posting targeted for November 2000.

Item 5: BMP compendium section on urban storm-water nearing completion and will be posted on web site; other sections to be completed during 2000/2002.

Status to Date:

Item 1: 1999/2000 projects and summary report complete; nine projects for 2000/2001 in various stages of implementation.

Item 2: Delivery of clean water education initiatives is ongoing.

Item 3: Activity of local government committee has been minimal; a second meeting is being planned for Fall 2000.

Item 4: Development of web site is continuing.

Item 5: Generic and Municipal BMP sections are complete and currently under internal review. Following this, the documents will be provided to outside agencies, including the local government committee, for review. Posting on the web is targeted for November 2000.

Update MoTH/MELP MOU to Include Spill Reporting Requirements

Date: Oct 27, 2000

Lead (Support): Transportation and Highways, Mike Kent (MELP, Jim Mattison; Health, Bob Smith)

Auditor General's Recommendation:

Continue to strengthen procedures to minimize damage to drinking water sources from chemical spills and leaks, and to implement provisions to prevent wide-area (non-point-NPS) contamination.

Description:

There is an existing MOU between MoTH and MELP on operational activities. The MOU provides a framework to improve and formalize regional and district communication, co-ordination and co-operation between MoTH and MELP for day-to-day activities at the operational level. It provides guiding principles so operational level staff can develop regionally-oriented working agreements. The MOU will be updated to include maintenance contractor procedures for spill management, ongoing issue liaison and technology transfer.

Work Plan:

- Organize work group.
- Revise existing contract specifications for highway maintenance contractors regarding spill management.
- Develop a checklist of MELP and MoH contacts for maintenance contractors to contact in the event of a spill.
- Develop an educational component on spill management and NPS pollution for maintenance contractors and highway designers.
- Consult with regional staff on the policy.
- Finalize the draft policy and educational component.
- Update MOU.
- Implement education component.

Key Deliverables/Timelines:

- Work group members identified in May 2000.
- List of MELP and MoH contacts completed.
- Revise contract specifications for maintenance contractors by December 31, 2000.
- An education component will be developed by June 30, 2001. This will include references to drinking water risks from spills.
- Consultation with regional staff on draft policy by January 31, 2001.
- Finalize deliverables and update MOU by February 28, 2001.

Status to Date:

Work in progress.

Agriculture (Fraser Valley)

Updated: August 22, 2000.

Lead (Support): Ministry of Environment, Lands and Parks, Jim Mattison.

Auditor General's Recommendations:

Develop region-specific regulations for agricultural sources of nutrients.

Strengthen compliance with the Code of Agricultural Practice for Waste Management through more outreach efforts to encourage voluntary compliance by farmers.

Give priority to monitoring compliance with the Code of Agricultural Practice for Waste Management, and to enforcement actions against non-compliant farmers, in order to maintain the incentive for voluntary compliance.

Description:

A. Under the Partnership Committee on Agriculture and Environment (PC), MELP and MAFF are participating in a consultation process with the agricultural sector and federal and local government agencies to develop an action plan for agricultural nutrient management in the Fraser Valley. The Fraser Basin Council (FBC) is facilitating this process.

B. MELP uses the Peer Advisory Services, with its limitations, to encourage voluntary compliance with the Code of Agricultural Practice for Waste Management and the Manure Management Guidelines for the Fraser Valley.

Work Plan:

A. The Ministers of Agriculture, Food and Fisheries and of Environment, Lands and Parks, and the BC Agriculture Council (BCAC) agreed on April 17, 1998 to work together to find solutions to environmental concerns. Ten action points were identified to help resolve these concerns; these points include the following:

   1) Current consultations with farmers on environmental issues will be consolidated and accomplished through a single-window process; and

   2) Consultations will be coordinated by a joint working committee of staff from MAFF, MELP, and the BCAC.

Other levels of government now participate in this process through the PC. Participants in the Nutrient Management Task Force of the PC include BCAC, DFO, Environment Canada, Agriculture and Agri-Food Canada and UBCM. BC Fisheries and First Nations input will also be included.

Options for consideration in the Nutrient Management Action Plan include:

- Voluntary or mandatory nutrient management plans for all farms.
- The continued movement of manure off the Abbotsford aquifer to areas with soil nitrogen shortages.
- Reduced use of commercial fertilizer, where practical.
- Improved nutrient management, including increased manure storage, improved manure application methods, rates and timing of application.
- Future limits to livestock numbers in areas with excess nitrate.

These options and others were considered within the consultation process conducted by the Fraser Basin Council on behalf of the PC.

B. Activities of the Peer Advisory Services often require follow up by MELP staff to determine whether changes suggested by peers have been implemented and to follow through with enforcement actions when necessary. Few referrals were made in the last year.

Key Deliverables/Timelines:

The Fraser Basin Council is expected to report back to the Partnership Committee with a revised draft plan at its next meeting in December of 2000. It is expected that a draft plan will be taken to the public for comment in 2001 with completion of consultation expected in March 2001.

Status to Date:

A. FBC facilitated a series of meetings with the Nutrient Management Task Force. Producer representatives on the Task Force consulted with their respective groups; FBC received written submissions from each group. A draft plan with options for action was distributed by FBC to the Task Force for review and comments. Government agencies submitted comments to FBC on the draft. In light of the tragic *E. coli* outbreak in Walkerton, Ontario, the Directors Committee on Drinking Water requested that the PC broaden the scope of the plan to include the control of pathogens and parasites for protecting surface and groundwater drinking supplies. These comments were submitted to FBC. The Task Group met in early September and discussed proposed changes to the draft and the FBC reported to the PC in late September. Agencies are submitting additional options for inclusion in the plan. A revised draft is to be distributed by end of October and another Task Force meeting is to be held in November.

B. MAFF and MELP held provincial level meetings with the three Peer Advisory Services (PAS). A plan for revising and expanding the role of the peers from handling complaints to possibly refocus on extension and awareness was examined; and an approach for regional level discussions established. Individual regional activities that are geared to the needs and abilities in each region were proposed. These include workshops, technical assistance to get started on best waste management plans, newsletters, or other promotional materials. The first regional meeting in Abbotsford on October 20 was not well attended and the process is now with the PAS for action. Another regional meeting is set for Kamloops on Oct 27.

Drinking-Water Impacts from Septic Tank Systems

Updated: August 25, 2000

Lead (Support): Ministry of Municipal Affairs, Doug Macfarlane (Health, Bob Smith)

Auditor General's Recommendation:

Consider giving approving officers the authority to take into account the cumulative impacts of septic tank systems when examining subdivision proposals.

Description:

The Auditor-General states that undesired impacts from septic tank systems can be managed at four stages: during land-use planning; during subdivision approval; when a septic tank system is designed, approved and built; or during operation of the system. Recommendation #20 refers to the second stage. No recommendation is made for the first stage, and separate recommendations (#21, 22) are made for the third and fourth stages.

The discussion of septic tank system impact suggests that the cumulative effect of multiple systems may be the source of nutrient problems, but that pathogen control is less of a drinking-water concern under the current regulatory scheme. (However, the cumulative effect of multiple systems can have a pathogenic impact through disease vectors other than drinking water).

Land-use planning and subdivision approval must be considered together, but jurisdiction in rural areas is presently split between local governments and the province. Local bylaws, and various pieces of provincial legislation, are presently the factors contributing to this issue.

Approving Officers can presently give due consideration to all available environmental impact and planning studies to determine if the subdivision would adversely affect the natural environment. However, if the local government has not completed the appropriate planning studies for the area, the Approving Officer can only require, at the cost of the subdivider, an examination or report on the impact of that particular subdivision, and not of adjacent existing or planned development.

Work Plan:

A working group of MMA, MOH, MOTH and UBCM will be formed to define the nature and scope of the issue; to consider regulatory and educational measures; and to make recommendations. The regulatory options will include:

Regulatory Framework	Topic Areas
Local Govt. Bylaws	OCPs, zoning, subdivision servicing bylaws in practice
Municipal Act	Requirements for OCPs, zoning, subdivision bylaws
Health Act	Sewage Disposal Regulation and site assessment procedures
Local Services Act	Subdivision Regulations
Land Title Act	Powers of Approving Officer and matters to be considered on application for subdivision approval
Land Title Act	Appointment of regional districts and Islands Trust approving officers

Educational measures will include a review of the use of existing provincial publications such as:

1. Terrain Capability for Residential Settlements, Ministry of Environment, 1979; and
2. Soil Constraints for Septic Tank Effluent Absorption, MOE Manuals #5, 1984; and other educational material which could be developed to assist approving officers and local government planners.

Key Deliverables/Timelines:

A first draft of a report is now being circulated internally for comment. A number of additional drafts are anticipated before broader review will occur. As a result the timeline for completion of this project has been adjusted as noted below.

Interim working group report: October 2000.

Any recommended regulatory measures: January 2001.

Any recommended educational measures: March 2001.

Status to Date:

See above.

Nutrient Control Provisions for Septic Tank Systems

Updated: Aug 30, 2000

Lead (Support): Ministry of Environment, Lands and Parks, Jim Mattison, (Health, Bob Smith)

Auditor General's Recommendation:

Determine whether there are areas of BC in addition to the Okanagan Valley where nutrient-control provisions for septic tank systems could help reduce the need for investment in new drinking-water sources, or in higher levels of water treatment.

Description:

a) Identify sensitive geographical areas in BC where on-site sewage disposal (septic fields) have caused or may cause adverse effects on surface and/or underground drinking water resources.

b) Identify, map and recommend innovative on-site disposal technology.

Work Plan:

This project will be a co-operative effort between MELP and Ministry of Health. Additional support will be required from Ministry of Municipal Affairs, UBCM and Regional Health Authorities in all aspects of the project.

The objective of this project is two-fold:

a) Identify and designate geographical areas in BC that are or may be serviced extensively in future by septic systems and have nearby drinking water supplies (surface or groundwater) which are particularly sensitive to septic fields impacts.

- Await results of Cariboo Region assessment of septic systems. The work plan for the pilot project, including the need for resources, will be designed pending the outcome of the above work, and information available from the literature.
- Consult with the regional staff to identify a site for the pilot project.

- Pilot: Develop method for mapping sensitive areas based on on-site sewage usage, proximity to drinking water supplies and soil characteristics.
- Implement method at provincial scale.
- Work with the Ministry of Health to designate identified sensitive areas under the new Sewage Disposal Regulation Environmental Control Zones (ECZ) to include areas outside of the Okanagan Valley. Consider linking schedule 5 (sensitive areas, including Saanich Inlet, Okanagan, Fraser Valley aquifers, and others) of the new Municipal Sewage Regulation (MSR) into the amended Health regulation
- Establish a mechanism for new areas to be designated in the MSR and Health regulation in the future.
- Work with local governments as they develop liquid waste management plans that will address nutrient control in sensitive areas.

b) Identify & recommend policy, legislation, educational measures to increase the use of innovative efficient on-site sewage systems.

- Search the literature on experiences from other North American jurisdictions who have implemented new technologies.
- Review performance of new technologies and recommend preferred technologies.
- Assess alternative approaches that may enhance efficiency of the existing septic systems (e.g., low flush toilets, raised septic field, etc.).
- Prepare/disseminate educational materials to raise awareness.
- Support the use of new technologies through the new Municipal Sewage Regulation (MSR).
- Work with local governments as they develop liquid waste management plans that will encourage use of innovative high efficiency on-site systems.

Key Deliverables/Timelines:

a) Designate sensitive areas.

- Review Cariboo project: April 2001.
- Conduct pilot mapping: April 2002.
- Implement provincial mapping: Sept 2003.
- Designate sensitive areas: Sept 2005.

b) Support application of innovative technology.

- Review literature and experiences in other jurisdictions and report: Mar 2001.
- Document preferred new technologies: Sept 2001.
- Document methods to increase efficiency of existing systems: Sept 2001.
- Implement use of new methods and innovative technologies through MSR and Health Act: Sept 2002.

Status to Date:

Pilot project will be started following completion of regional septic system assessment.

On-Site Sewage Treatment Model Bylaw and Toolkit

Updated: October 27, 2000

Lead (Support): Ministry of Environment, Lands and Parks, Jim Mattison (Health, Bob Smith; Environment Canada, Phil Wong; Municipal Affairs, Eric Bonham)

Auditor General's Recommendation:

Complete and implement the proposal to help local government develop maintenance by-laws for septic tank systems.

Description:

Under the terms of a partnership with Environment Canada, Municipal Affairs, and Health, a model bylaw for On-Site Sewage Maintenance and a "toolkit" of options for management for local governments are being prepared. The model bylaw will provide local governments with a template for development of a bylaw to require homeowners to maintain on-site sewage systems. Other management options in the "toolkit" include on-site sewage management guidelines for BC, public information materials, and possibly record-keeping software.

Work Plan:

Development of the On-Site Model Maintenance Model Bylaw and Toolkit includes:

1. MELP chairs the On-Site Sewage Maintenance Work Group: *completed.*
2. Solicit feedback from local governments through the local government Non-Point Source Committee (10–12 local governments including UBCM): *completed.*
3. Conduct legal review of by-law: *initial internal review completed, additional comments from UBCM being reviewed.*
4. Encourage pilot application of model by-law (Capital RD, RD of Comox-Strathcona, and Sunshine Coast RD have shown interest): *ongoing.*
5. Consultant to produce management guidelines and "toolkit": documents drafted.

- Management guidelines, gleaned from experiences throughout North America and with recommendations specific to BC.
- Production of user-friendly "toolkit"of management options including maintenance programs, model bylaw and public information materials.

Key Deliverables/Timelines:

1. Model by-law. Revised by March 2001.
2. Reports reviewing management tools and strategies for on-site sewage systems and guidance materials ("toolkit") for local government: March 2001.

Status to Date:

A draft model bylaw has been developed and reviewed internally as well as by the RD of Comox-Strathcona. UBCM has submitted critical comments, which are being reviewed. Amendments to the Local Government Act may be necessary to provide local governments with authority to enforce the model bylaw before it can be implemented. Contractor has completed draft of management guidelines and toolkit.

Expand Observation Well Network

Updated: August 21, 2000

Lead (Support): Ministry of Environment, Lands and Parks, Jim Mattison (Health, Bob Smith)

Auditor General's Recommendation:

Ensure regular monitoring of groundwater usage and levels in all developed aquifers across the province.

Description:

Secure 10 new observation well sites in key aquifers, including all aquifers classified as "highly used and highly vulnerable," and obtain water usage figures from purveyors. Partners include local water districts and communities (e.g., Cache Creek, Prince George)

Work Plan:

For each new observation well:

1. Conduct office assessment of well records on file and other aquifer information.
2. Select candidate locations, contact local water purveyors for candidate sites.
3. Develop partnerships.
4. Visit site area.
5. Conduct field surveys.
6. Prepare and supervise drilling contracts if necessary.
7. Install recording equipment.
8. Secure and train local observers.

Key Deliverables/Timelines:

5 new sites established by April 2000.

10 additional sites established by April 2001.

Status to Date:

Existing network consists of 150 observation wells, 5 new sites established during 1999/2000, 5 more expected during 2000/2001.

Two new sites established during 2000/2001 with 4 additional sites to be investigated.

Observation well index and updated water level records (long-term hydrographs) added to Internet site for public access.

Amendment of Sanitary Regulation

Updated: October 27, 2000

Lead (Support): Ministry of Health, Bob Smith

Auditor General's Recommendation:

Ensure that monitoring of groundwater quality occurs regularly in all developed aquifers in the province, and more frequently in all vulnerable aquifers.

Description:

Amend the Sanitary Regulation (Health Act)

While minor amendments have been made to the Sanitary Regulation since it came into force around 1917, some of the content of the regulation is out of date. In some areas, it is contradictory to other provincial legislation.

There are currently provisions to address groundwater and well construction issues although analysis will take place to determine if they can be expanded and reworded to better address current issues.

Work Plan:

- Draft suggested revisions/questionnaire around applicability and use of current sections
- Circulate to CEHOs and food branch for 1st round of review (Sept. 1999)
- Discuss and incorporate suggestions (February 2000)
- Establishment of EHO working group (May 2000)
- Second review—working Group conference call #1 (June 2000)
- Working Group conference call #2 (July 2000)
- Letter for further input to CEHOs
- Redraft #3 (Sept. 2000)
- Working group conference call #3 (Oct 2000).
- Redraft and initial consultation with lawyers (Oct 2000).
- Discussion rounds with stakeholders.
- Drafting.
- OIC development.

Enhance Groundwater Quality Monitoring

Updated: August 21, 2000.

Lead (Support): Ministry of Environment, Lands and Parks, Jim Mattison (Health, Bob Smith; Municipal Affairs, Doug Macfarlane)

Auditor General's Recommendation:

Ensure that monitoring of groundwater quality occurs regularly in all developed aquifers in the province, and more frequently in all vulnerable aquifers.

Description:

Enhance water quality monitoring in developed and vulnerable aquifers through development of partnerships with water purveyors and local communities dependent upon groundwater sources for drinking water. Support water purveyors and communities in developing well and aquifer protection plans, publish well protection toolkit, complete community workshops, and develop monitoring agreements and monitor ground water quality in developed aquifers. Partners include purveyors, Health, Municipal Affairs, Environment Canada, local communities and stewardship groups.

Work Plan:

1. Complete and publish Well Protection Toolkit in partnership with MoH and MoMA.
2. Develop and present training session on Well Protection Toolkit for purveyors at BCWWA meeting April 2000.
3. Develop and complete voluntary Groundwater Protection Program on Hornby Island in partnership with Islands Trust.
4. Organise and hold workshops on Groundwater Protection Planning in various communities in BC dependent on groundwater supplies in partnership with MoH, MoMA, BC Ground Water Association and BC Water and Waste Association (BCWWA).
5. Develop federal-provincial groundwater monitoring agreement with Environment Canada.

6. Provide technical advisory assistance and information to Grand Forks Aquifer Protection Committee.
7. Train stewardship groups in groundwater sampling methods at Osoyoos.
8. Conduct groundwater monitoring for aquifers classified as "highly used and highly vulnerable" such as Grand Forks, Abbotsford, Osoyoos and selected observation well sites.

Key Deliverables/Timelines:

1. Publish and distribute Well Protection Toolkit by April 2000.
2. Complete training session on Well Protection Toolkit for purveyors at BCWWA meeting April 2000.
3. Complete Groundwater Protection workshops at Duncan and Whistler by November 1999; Fraser Valley by April 2000; interior (Okanagan, Prince George and Kootenays) by April 2001.
4. Complete federal-provincial groundwater monitoring agreement with Environment Canada by April 2001.
5. Train stewardship groups in groundwater sampling methods at Osoyoos by September 1999.
6. Complete groundwater protection program for Hornby Island by April 2001.

Status to Date:

Workshops at Duncan, Whistler, Langley and Prince George held; stewardship group at Osoyoos trained in groundwater sampling methods; Well Protection Toolkit printed, distributed to water purveyors, and posted on WEB; reports completed on delineation of capture zones for community wells and aquifer model at Grand Forks to assist Grand Forks Aquifer Protection Committee in preparing their protection plan; initial meeting held with Environment Canada to discuss development of groundwater monitoring agreement; support provided for Islands Trust to assist groundwater assessment of Hornby Island to be conducted by Simon Fraser University. Groundwater quality monitoring is continuing at Grand Forks, Abbotsford, Osoyoos and selected observation well sites. A program was developed with Ministry of Health to sample MTBE in 70 to 80 wells in the Lower Mainland, the east coast of Vancouver Island and communities in the Interior during summer and fall 2000.

Aquifer Mapping and Inventory Program

Updated: August 21, 2000

Lead (Support): Ministry of Environment, Lands and Parks, Jim Mattison

Auditor General's Recommendation:

Establish a comprehensive and coordinated aquifer mapping and inventory program.

Description:

Delineate and classify 100 additional aquifers in the province, digitize boundaries and make available to clients on the Internet and on hard copy maps as requested. Partners include Corporate Resources Inventory Committee (CRII) for funding, GIS Unit, Resources Inventory Branch, LRMP Planning Tables, well drillers and local government.

Work Plan:

1. Prioritise areas for mapping.
2. Compile and interpret well records.
3. Identify aquifers.
4. Conduct statistical analysis on well information, examine other geologic, topographic data and groundwater reports, interpret aquifer boundaries.
5. Complete aquifer assessment information sheets, classify and rank aquifers.
6. Digitize aquifer boundaries.
7. Add aquifers to classification database on Internet.

Key Deliverables/Timelines:

Identify, classify and add 50 aquifers to the aquifer database by April 2000; and a further 50 aquifers by April 2001.

Status to Date:

- 78 new aquifers identified, classified and added to database during 1999/2000.
- 8 new aquifers identified, classified and added to database during 2000/01, bringing total to 386 aquifers.
- Image portfolio for aquifers added to Internet site.
- Digital map template completed for producing aquifer classification maps and guidance document for interpreting aquifer classification maps in preparation.

Waterworks Operators Manual

Updated: October 27, 2000

Lead (Support): Health, Bob Smith (MELP, Jim Mattison; Municipal Affairs, Eric Bonham; British Columbia Water and Waste Association)

Auditor General's Recommendation:

Ensure that any examination of the rights and responsibilities of drinking-water system owners considers the special circumstances of small system users.

Description:

A waterworks system operator-training program designed to accommodate the needs of small waterworks systems operators is being developed in a joint government/industry project. The training program is being designed as a modular course which will enable trainers to select components of the program relevant to a particular waterworks system and deliver a course tailored to a particular operators needs.

The training program will be available on CD-ROM, and delivery of training will be coordinated with assessment of waterworks systems operational criteria.

Work Plan:

- Partnership formed between MOH, MELP, MOMA, BCWWA and Environmental Operators Certification Program (EOCP). BCWWA to manage the contract to develop the training program (March 1999).
- Hargrave & Burdick engaged to develop the course (April 1999).
- 50% draft submitted to BCWWA and reviewed by steering committee (July 1999).
- Contract with Hargrave & Burdick terminated (October 1999).
- Finalise negotiations with Hargrave & Burdick (December 1999).
- Meeting to discuss continuation of the project and assess remaining resources (November 1999).
- Partnership with American Waterworks Association established (November 1999).

- Secure rights to existing materials for adaptation to B.C. context (Nov – Feb 2000).
- Develop and pilot a test CD-ROM (Fall 2000).
- Revise and produce CD-ROM for Distribution (Winter 2000/2001).
- partnership with Workers Compensation Board (Jan 2000).

Key Deliverables/Timelines:

CD-ROM version of operators training manual (Winter 2000/2001).

Status to Date:

- Partnership with MOH, MELP, MOMA, BCWWA, EOCP established.
- Terms of reference developed.
- Consultant engaged and contract terminated.
- Second contract awarded to another consultant.
- Funding assistance ($50,000) received by MOH to assist small waterworks operators to attend courses and to assist in the formulation of the course and regional training seminars.
- Draft text completed.
- Formatting for CD-ROM commenced.

Environmental Operators Certification – Waterworks Systems

Updated: October 31, 2000

Lead (Support): Health, Bob Smith, (MELP, Jim Mattison; Environmental Operators Certification Program)

Auditor General's Recommendation:

Ensure that any examination of the rights and responsibilities of drinking-water system owners considers the special circumstances of small system users.

Description:

The Environmental Operators Certification Program is a third party process to assess and classify the operational requirements of wastewater and waterworks distribution and treatment facilities and to certify operators at different levels of qualification.

A process currently exists to classify wastewater treatment facilities and certify their operators and a parallel process has been developed for waterworks systems. Guidelines are being developed that will assist health authorities to require waterworks systems to become classified and to train and certify operators.

Work Plan:

- Establish a working relationship with the Environmental Operators Certification Program and the British Columbia Water and Waste Association.
- Develop criteria for classifying waterworks systems and certifying operators.
- Develop guidance documents to assist health authorities require (terms and conditions of operating permit) waterworks systems to obtain system classification and certification of operators. (April 2001)
- Implement small systems operators certification process through pilot with a regional health authority. (April 2001)

Key Deliverables/Timelines:

- Waterworks system classification & operator certification criteria. *Completed.*
- Policies and guidance document for regional implementation of classification and certification requirements. (April 2001)
- Pilot implementation of program. (April 2001)

Status to Date:

- Partnership with the Environmental Operators Certification Program and the British Columbia Water and Waste Association established and criteria for waterworks system classification and operator certification completed.
- Currently drafting of policy and guidance document for implementing classification and certification process.

Enhanced Enforcement of the Safe Drinking Water Regulation

Updated: July 25, 2000

Lead (Support): Ministry of Health, Bob Smith

Auditor General's Recommendation:

Ensure that any examination of the rights and responsibilities of drinking-water system owners considers the special circumstances of small system users.

Description:

When the Safe Drinking Water Regulation was promulgated in 1992 a process was established to allow the owners and operators of waterworks systems time to achieve compliance with the regulation. Health regions have worked toward attaining compliance with the regulation on a progressive enforcement basis, starting with educational methods, moving through written instructions and terms and conditions on operating permits and ultimately orders under the Health Act.

Guidelines are currently being developed to assist health regions move toward enhanced enforcement of the Safe Drinking Water Regulation in a consistent manner.

Work Plan:

- Provide information to waterworks operators and owners, about their rights and obligations as purveyors, through seminars, publications and workshops. *(on-going)*
- Identify emerging issues and potential activities through consultation with regional health authorities; ad hoc consultation and through formal processes including the Water Issues Committee of the Chief Environmental Health Officers Council and the Environmental Advisory Committee of Health Officers Council. *(on-going)*
- Develop policies and guidelines to assist health authorities to educate purveyors and enforce the Safe Drinking Water Regulation. *(on-going)*
- Work with regional authorities to develop strategies to enable waterworks purveyors to comply with the Safe Drinking Water Regulation.

- Develop regional training opportunities. *(on-going)*
- Develop waterworks classification process. *(on-going)*
- Develop due diligence report to provide health authorities with guidance on their rights and obligations with respect to progressive enforcement.

Key Deliverables/Timelines:

1. Policies on enforcement of Safe Drinking Water Regulation;
   - Policies for Boil Water Advisories, Bulk Water Hauling, Disinfection of Water, Waiver for the Disinfection of Surface Water. (Completed: 1998, 1999)
   - Policies for placing Terms and Conditions on an Operating Permit, Water Potability and Source Water. (Spring/Summer, 2000) Policy on issuing a waterworks construction permit. (Fall/Winter 2000)
2. Waterworks classification process, small system operator training opportunities. (Winter 2000/2001)
3. Due diligence paper.

Status to Date:

- Four policies completed.
- Ten policies drafted.
- Three policies at consultation phase.
- Due diligence paper in first draft.
- Partnership with British Columbia Water and Waste Association, Environmental Operators Certification Program established.

Develop Guidelines for MTBE

Updated: August 22, 2000

Lead (Support): Ministry of Environment, Lands and Parks, Jim Mattison (Health, Bob Smith)

Recommendation of the Select Standing Committee on Public Accounts following review of the Auditor General's report:

"...committee recommends that the Ministries of Environment, Lands and Parks and Health examine the need for testing [MTBE] in BC and report back to this committee within twelve months...."

Description:

Monitor groundwater sources of drinking water to determine the extent of any contamination (methyl tertiary butyl ether). Selected surface water sources monitored by drinking water purveyors. Develop water quality guidelines that will protect six main water uses: protection of aquatic life and wildlife, protection of irrigation water and livestock watering, and protection of recreation and drinking water supplies.

Work Plan:

- Groundwater sampling begins at 65 sites – May 2000.
- Experienced contractor hired to review the scientific literature and develop draft water quality guidelines – July 31, 2000.
- Guidelines contract "Kick-off" meeting – August 4, 2000.
- Fact Sheet on MTBE in Groundwater released – August 2000.
- Ministry of Health undertake sampling at four high-risk lake water intakes – September 2000.
- September progress report – September 15, 2000.
- Complete development of draft water quality guideline document – October 31, 2000.
- Post draft guideline document on Internet for stakeholder review – November 15, 2000.
- Stakeholder review of draft guidelines complete – January 15, 2001.

- Groundwater sampling completed at 65 sites – January 31, 2001.
- Incorporate stakeholder comments into draft guideline report – March 15, 2001.
- Draft report completed on groundwater sampling program – March 31, 2001.
- Ministry approval of water quality guideline report – April 15, 2001.

Key Deliverables/ Timeline:

Fact Sheet on MTBE in Groundwater released	August 2000
Ministry of Health undertake sampling at high-risk lake water intakes	September 2000
September progress report on guidelines	September 15, 2000
First draft of guideline report completed	October 31, 2000
Stakeholder Review of guideline report Initiated	November 15, 2000
Stakeholder review completed	January 15, 2001
Groundwater sampling completed	January 31, 2001
Incorporate stakeholder comments into draft report	March 15, 2001
Draft report on groundwater sampling completed	March 31, 2001
Ministry approval of water quality guideline report	April 15, 2001
Guideline posted on Internet	April 30, 2001

Status to Date:

- Groundwater sampling begins at 65 sites – May 2000.
- Contract for guideline development initiated – July 31, 2000.
- Fact Sheet on MTBE in Groundwater released – August 2000.
- "Kick-off" meeting for guideline project held August 4, 2000.

Appendix: Timetable of Reports Issued on 1998/1999 Report 5: Protecting Drinking-Water Sources

Report

The Auditor General issued the report in March 1999. The report contained twenty-six recommendations.

Public Accounts Committee reviewed the report on July 6, 1999 and October 19, 1999, and issued a report on its deliberations on April 18, 2000. In its report the Committee made two recommendations:

- that, every six months, the progress on the 26 recommendations made in the Auditor General's report be reviewed and reported on to the committee; and
- that the ministries of Health and of Environment, Lands and Parks examine the need for groundwater testing for methyl tertiary butyl ether ('MTBE') in British Columbia, and report back to the committee within twelve months with their findings.

First follow-up

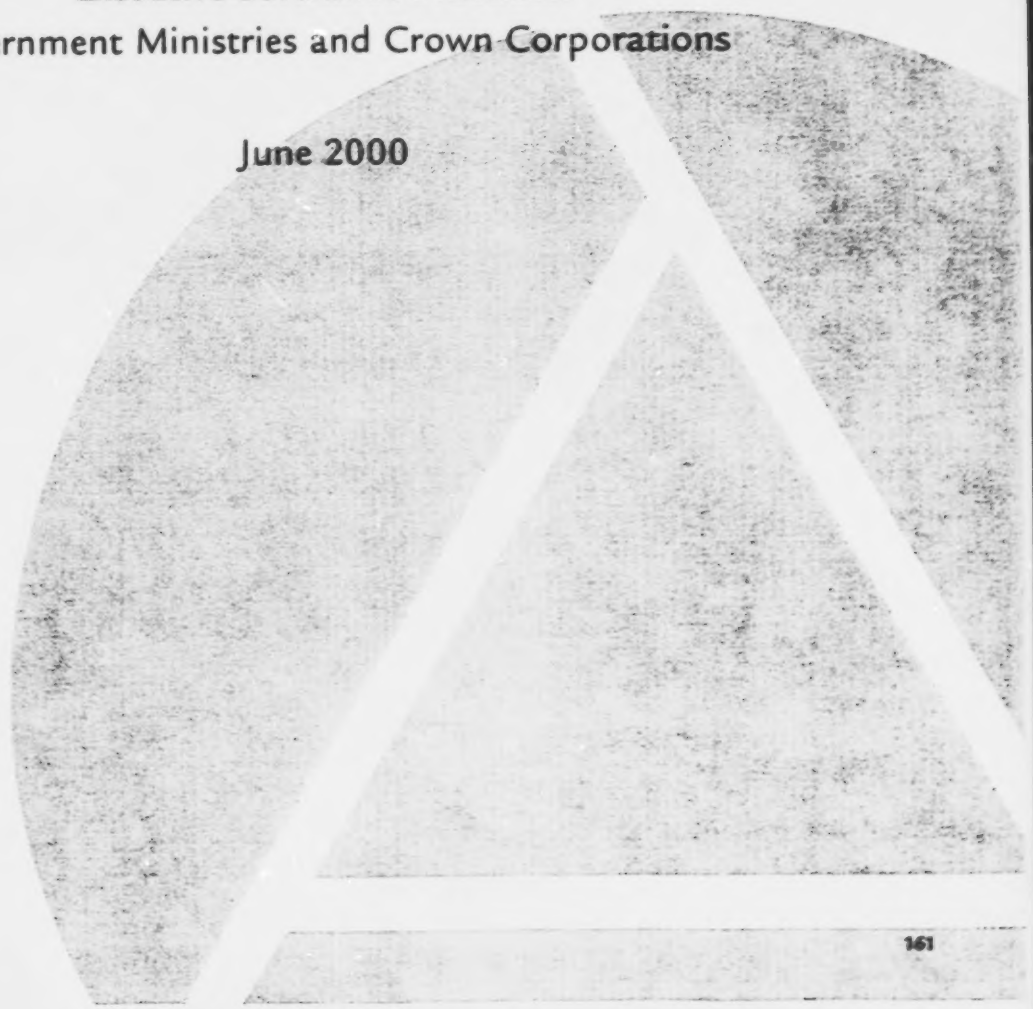
The report currently before the Committee is the first follow-up report on this audit.

Office of the Auditor General of British Columbia

Information provided to the Select Standing Committee
on Public Accounts regarding
the follow-up of recommendations in

1996/1997 Report 8:
Executive Severance Practices:
Government Ministries and Crown Corporations

June 2000



OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

This is our report on our June, 2000 follow-up of the recommendations that remain outstanding from our 1996/97: Report 8 Executive Severance Practices: Government Ministries and Crown Corporations, and from the Select Standing Committee on Public Accounts Report on 1999 Follow-Up of Performance Audits/Reviews.

In accordance with our arrangement with the Select Standing Committee on Public Accounts, we wrote to the Public Sector Employers' Council Secretariat in May, 2000 requesting information as to the current status of the four recommendations from our report that remained unresolved when the committee last dealt with this report and the three recommendations from the Public Accounts Committee report (see appendix). We received the Secretariat's response in June, 2000.

We have reviewed the representations provided by the Public Sector Employers' Council Secretariat regarding progress in implementing the recommendations that were outstanding. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the Public Sector Employers' Council Secretariat's progress report does not present fairly, in all significant respects, the progress made in implementing the recommendations contained in our 1996/1997 report and in the committee's report.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

June 2000

Summary of Original Report on Executive Severance Practices: Government Ministries and Crown Corporations

Purpose and Scope

We conducted our review to determine the extent of severance costs resulting from the termination of employment of senior executives within government ministries and Crown corporations. We further wanted to determine whether the government had:

- provided direction to ministries and major Crown corporations to ensure severance guidelines were in place, reasonable and consistent;
- monitored compliance; and
- informed the Legislative Assembly about severance costs for government's senior managers.

Within ministries, compensation for management employees is determined on the basis of established management classifications ranging from entry level positions at Management Level 1, to Deputy and Associate Deputy Ministers at Management Level 12. We defined senior management as including Management Levels 9 to 12, which comprises mainly Assistant Deputy Ministers and Deputy Ministers, and Order-in-Council appointments under the Public Service Act. The Public Service Employee Relations Commission is responsible for administering severance arrangements for provincial government ministries.

Government's public sector includes hospitals, schools, colleges, universities and Crown corporations. Our review was limited to member organizations of the Crown Corporation Employers' Association. The association includes designated Crown corporations in British Columbia as well as the Workers' Compensation Board. Member corporations having revenues or assets greater than $20 million were selected for our survey. Senior management within these organizations we defined as the Chief Executive Officer and directly reporting executives.

The review covered all severance payments issued to senior executives during the period from January 1, 1990, to November 30, 1995. Severance practices in hospitals, schools, colleges and universities were not included in this review.

Overall Conclusion

Most severance settlements within ministries and Crown corporations had been reasonable. However, we found one in four payouts made by Crown corporations excessive. While progress had been made toward improving the controls over severance settlements in Crown corporations, the controls were not yet strong enough to prevent excessive settlements from happening in future.

The provincial government had conducted two major studies on ministry and Crown corporation human resource management practices, including severances, since 1989. Within ministries, many recommendations resulting from these studies had been implemented and an improved level of reasonableness and consistency in severance packages had been achieved for senior executives.

. . . continued

Continued . . .

The same could not be said for Crown corporations, however. Although the establishment of the provincial government's Public Sector Employers' Council (PSEC) and the Crown Corporation Employers' Association (CCEA) had resulted in a spirit of cooperation and improved communications between government and Crown corporations, we concluded that accountability practices to ensure reasonableness and consistency over executive severance practices of Crown corporations needed to be tightened.

During the six-year period surveyed, ministries and Crown corporations paid approximately $13.7 million to 87 senior executives as compensation in lieu of notice.

Within ministries, the average severance package for 43 terminated senior executives was $133,250, representing an average of 15 months of equivalent gross salary and benefits. Within Crown corporations, the average severance package for 44 terminated senior executives was $180,258, an average of 16.3 months of equivalent gross salary and benefits.

Summary of Status of Recommendations

Original Issue Date: May 1997
Year Followed Up: 1999

Summary of status at May 2000	OAG	PAC	Further Follow-up Required
Total Recommendations	7	3	–
Fully Implemented	3	3	–
Partially Implemented	–	–	–
Alternative Action	4	–	–
No Action	–	–	–

Public Sector Employer's Council Secretariat Follow-up Response to Auditor General's Recommendations on Crown Severances (May 30, 2000)

A. Introduction:

The Auditor's General's report *Executive Severance Practices: Government Ministries and Crown Corporation* was released in January 1997. Since the publication of the report, a number of significant developments have taken place that address the report's recommendations.

In July 1997, the legislature enacted Bill 20, *Public Sector Employers Amendment Act, 1997*. This Act provides statutory authority for PSEC employment termination standards for public sector exempt employees, and the adoption of the standards as regulations by the Lieutenant Governor in Council. The Act also provides for the recovery of any payment of severance in excess of the amount permitted by the regulations. In 1999, the Act was further amended to ensure application of the standards to PSEC's member employer associations.

PSEC developed and passed Employment Termination Standards (ETS) that were adopted into regulation and made effective retroactive to May 1, 1997. The ETS reflect common law standards. The standards define the terms and conditions for severance and notice periods, limit severance payments to a maximum of two years and contract terms to a maximum of 5 years, permit employee re-assignment during working notice, and require repayment of severance where an employee becomes re-employed in the public sector during the severance period. The ETS apply to contracts entered into, revised or re-negotiated after May 1, 1997. In effect, the ETS supersede the employment termination provisions in all public sector employment contracts, policies and guidelines, except for those contracts that predate the standards.

To ensure compliance with the standards, PSEC Secretariat has undertaken the following:

- Communications with employer associations and public sector employers on the impacts of Bill 20 through advisory letters, updates, responses to enquiries, and the PSEC website.

- Collection, review, and evaluation of senior executive employment contracts and relevant corporate policies in the College, Crown Corporation, Health, University and K-12 sectors. Where contracts and corporate policies were found to be non-compliant, PSEC Secretariat is working with the parties to bring the contracts and policies in line with the ETS.
- Developed a database for analysis of employment termination information derived from the contract and corporate policy review process (above).
- Designed a severance reporting form for use by employers on an ongoing basis to report the terms and conditions of actual severances.
- Collection, analysis and reporting of public sector severances in the Crown Corporation, Health, University, College and K-12 sectors. The Secretariat has followed-up with public sector employers who failed to respond. Reporting by sector to date.
- Reviewed completed severance reporting forms to determine compliance with the ETS and enforcement where required. Modifications to the standards will be proposed if necessary to maintain common law outcomes.
- Developed a severance report database designed to monitor severance outcomes and produce aggregate reports of public sector severances.
- Production of sectoral aggregate reports covering severances reported from May 1/97 (effective date of the ETS) to April 30/99.

B. Responses to Recommendations:

The report's specific recommendations are addressed as follows:

- The Public Sector Employers' Council quickly approve the Crown Corporation Employers' Association guidelines, and require early submission of individual Crown Corporation proposals.
  - The Crown Corporation Exempt Compensation Guidelines were approved by PSEC on January 30, 1997. These guidelines set a 24-month severance maximum and require consistency with statutory and common law requirements.

- Bill 20 and the ETS supersede CCEA Guidelines and Crown proposals, provide greater control over and accountability for public sector severances, and are enforceable at law.
- CCEA Exempt Compensation Guidelines and Crown Corporation Exempt proposals are by nature directory only. The passage of Bill 20 has eliminated the urgency to address excessive severance through the Exempt Compensation Guideline process.
- As Crown proposals come forward for approval, the PSEC Exempt Compensation Sub-Committee will ensure these reference Bill 20 and are consistent with the CCEA guidelines and the ETS.

The PSEC Secretariat considers recommendation fully implemented.

- Employment contracts should contain severance provisions that reflect common law standards.
  - As a result of Bill 20, the ETS is deemed to be included in all contracts of employment commenced, changed or renewed after May 1, 1997 and any provision in a contract that is inconsistent with the adopted standard is of no force or effect. As contracts that predate the standards come up for renewal, they will automatically fall within the scope of the ETS.
  - The ETS reflect common law standards and include the following:
    - Bar on providing a notice period or severance where there is termination for cause, expiry of the employment contract, retirement, or voluntary resignation.
    - In the absence of an employment termination plan approved by Council, severance is limited to the lesser of an amount equal to the remainder of a fixed term contract or an amount provided under common law.
    - In no case can severance exceed 24 months salary and benefits.
    - Employees must notify a previous employer of any re-employment with a BC public sector employer during the notice period or period in lieu of which severance is provided. No severance is payable during this period and the employee must repay any amount that is attributable to the period of re-employment.

- The ETS provide even less than common law standards in respect of the following:
  - Fixed term contracts are restricted to a maximum of 5 years;
  - Employees may be re-assigned to other duties with the same or a successor employer during the notice period.
- The Secretariat will ensure that Crown exempt compensation proposals presented for approval provide for Bill 20 and the ETS to be referenced in contracts of employment.
- The Secretariat has collected and reviewed Crown Corporation exempt employee contracts for senior executives to determine the extent to which employment contracts incorporate the ETS, though this is not necessary for the ETS to apply.
- PSEC Secretariat has implemented a severance reporting form to monitor employment termination outcomes and ETS compliance. Where a severance is inconsistent with the ETS and the ETS apply, steps will be taken to bring the severance arrangements into compliance with the ETS.

  Secretariat considers recommendation fully implemented.

- Where severance arrangements are not covered under any collective agreement, Crown corporations should be required to report annually to the Legislative Assembly the number of severance arrangements negotiated in the previous year and the range of equivalent months' gross salaries such arrangements represent.
  - Section 4.1 (4) of the *Public Sector Employers Amendment Act* requires employers to provide PSEC with copies of employment contracts and other information that PSEC requests for the purpose of monitoring compliance with the standards or assisting PSEC in the development and revision of employment standards.
  - PSEC will produce and table aggregate exempt employment termination reports covering Crown Corporations and other public sector employers in the Legislative Assembly annually. The reports will include the range of equivalent months' gross salaries represented by such arrangements.

    Secretariat considers recommendation fully implemented.

- Arrangements exceeding Sector Guidelines should require approval by the Public Sector Employers' Council
  - The statutory scheme of Bill 20 has been designed to limit exceptions to the common law regime contained in the ETS.
  - Nevertheless, this recommendation has been implemented as a result of two provisions of the ETS:
    1. Pursuant to s. 2(2), a severance that may otherwise be unavailable may be provided under a labour adjustment policy or program approved by the Council. To date, the PSEC Labour Adjustment Sub-Committee has approved labour adjustment plans for BC Hydro and WCB, which are designed to deal with labour adjustment issues arising from downsizing, business process improvement, and technological change. PSEC labour adjustment principles apply to such programs.
    2. Pursuant to s. 5(1) (a) severance must not exceed an amount calculated according to an employment termination plan that has been approved by the Council. On October 2, 1997, PSERC employment termination guidelines were approved as an employment termination plan under the ETS. The PSERC guidelines and policy have been commented on favourably by the Auditor General.

Secretariat considers recommendation fully implemented

Next Steps/Workplan:

- Ongoing collection and analysis of executive employment contracts and policies for crown corporations and other public sector employers
- Ongoing collection and analysis of exempt employment terminations in broad public sector
- Publish aggregate report of severances by sector and employer in PSEC's Annual Report to be tabled in the Legislative Assembly
- Follow-up with employers with respect to contracts and severances not in compliance with ETS
- Adjust database elements to improve reports produced

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Appendix: Timetable of Reports Issued and Public Accounts Committee Meetings on Executive Severance Practices

May 1997	Office of the Auditor General issues 1996/1997: Report 8 Executive Severance Practices: Government Ministries and Crown Corporations. The report contained seven recommendations.
November 1997	The Select Standing Committee on Public Accounts reviews our report on Executive Severance Practices; Government Ministries and Crown Corporations.
May 1999	Office of the Auditor General issues 1999/2000: Report 1 1999 Follow-Up of Performance Audits/Studies, which included a chapter on Executive Severance Practices: Government Ministries and Crown Corporations.
October 1999	The Select Standing Committee on Public Accounts reviews the chapter on Executive Severance Practices: Government Ministries and Crown Corporations. Four recommendations remained outstanding.
May 2000	The Select Standing Committee on Public Accounts approves its report on 1999 Follow-Up of Performance Audits/Studies containing two recommendations.
June 2000	Office of the Auditor General review provides the Select Standing Committee on Public Accounts with the June, 2000 follow-up information.

Office of the Auditor General of British Columbia

Information provided to the Select Standing Committee
on Public Accounts regarding
the follow-up of recommendations in

1996/1997 Report 4:
Insurance Corporation of British Columbia:
(formerly the responsibility of Ministry of Transportation and Highways:
Motor Vehicle Branch)
Trucking Safety

June 2000

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

This is our report on our June, 2000 follow-up of the recommendations that remain outstanding from our 1996/97 Report 4: Ministry of Transportation and Highways: Motor Vehicle Branch-Trucking Safety, and from the Select Standing Committee on Public Accounts Report on 1999 Follow-Up of Performance Audits/Reviews (see Appendix).

Information as to the status of outstanding recommendations was provided to us by the Insurance Corporation of British Columbia in April, 2000. We reviewed the response in June, 2000.

We have reviewed the representations provided by the Insurance Corporation of British Columbia regarding progress in implementing the recommendations that were outstanding. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the Insurance Corporation of British Columbia's progress report does not present fairly, in all significant respects, the progress made in implementing the recommendations contained in our 1996/1997 report and in the committee's report.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

June 2000

Summary of Original Report on Ministry of Transportation and Highways: Motor Vehicle Branch, Trucking Safety

Audit Purpose

The purpose of this audit was two-fold: 1) to assess the extent to which the branch's three trucking safety enforcement programs-fixed weigh scales, portable weigh scales, and carrier safety audits-were designed and implemented to achieve trucking safety in a cost-effective manner; and 2) to assess the extent to which the branch had examined whether its three enforcement programs were the most effective alternatives in achieving trucking safety.

Overall Conclusion

We concluded that there were serious issues related to the state of trucking safety in British Columbia. The severity of accidents was increasing and, if inspected, about one in five commercial vehicles would be taken out-of-service for a range of defects, the most significant being faulty brakes. We also concluded that the three trucking safety enforcement programs were neither well designed nor well implemented by management, and that the branch had not determined whether its enforcement programs were the most effective alternatives in achieving trucking safety. This made it difficult for the Motor Vehicle Branch to provide assurance that these programs were cost-effective and that they were meeting the objective of safer roads.

Summary of Status of Recommendations

Original Issue Date: December 1996

Years Followed Up: 1998, 1999 and 2000

Summary of status at April 2000	OAG	PAC	Further Follow-up Required
Total Recommendations	**23**	**5**	**11**
Fully Implemented	10	3	—
Partially Implemented	9	2	11
Alternative Action	3	—	—
No Action	1	—	—

Note: ICBC report on progress of recommendations was sent directly to Public Accounts Committee on April 18, 2000. ICBC did not specifically address PAC recommendations contained in the Public Accounts Committee report of July 6, 1999, Report 6. However, our review included consideration of all PAC recommendations. The status of implementation is indicated above.

Recommendations and Their Status

Recommendations of the Office of the Auditor General of British Columbia

Number of recommendations in the original report	23
Recommendations requiring further follow-up	9

Partially Implemented Recommendations

- Define "trucking safety, develop performance measures and set targets with respect to the desired level of trucking safety.
- Institute a program evaluation framework to provide managers with regular and accurate performance reports on its enforcement programs and, in the longer term, determine the relationship between its enforcement programs and trucking safety.
- Clearly communicate the relative emphasis that inspectors should place on educating the trucking industry about its responsibilities for safety versus strict enforcement of the regulations.
- Institute a centralized monitoring function to ensure uniformity and consistency in the application of safety standards.
- Develop a comprehensive human resource plan to: determine the number, type, and location of staff needed in the future to provide services; and ensure that existing and new staff have the knowledge, skills, and abilities to meet ministry expectations.
- Find ways to monitor key border entry points such as by constructing fixed facilities or introducing regular random deployment of portable weigh scales to increase the probability of intercepting a larger number of unsafe trucks and drivers.
- Find ways to operate key fixed weigh scales on a 24-hour, 7-day-a-week basis or, barring this, have regular random openings of key scales during off-hours to increase the probability of intercepting a larger number of unsafe trucks and drivers.

- Develop greater flexibility in the hours of operation of portable weigh scales, thereby reducing the present pattern of mostly concurrent hours of service with fixed weigh scales.
- Consider whether fines for significant safety violations should be extended to the shipper or trucking company.

Recommendations on which no action has been taken

- As part of a development review, consider the issue of how best to shift the focus of enforcement to moving violations. It is further recommended that serious attention be paid to the U.S. model in which this function and responsibility resides with law enforcement and police agencies.

The Public Accounts Committee report entitled: Follow-up of the 1996 Performance Audits/Studies, Third Session, Thirty-sixth Parliament, British Columbia Legislative Assembly, July 6, 1999, Report 6

Number of recommendations in the original report	5
Recommendations requiring further follow-up	2

That the Insurance Corporation of British Columbia, Motor Vehicle Branch:

- Implement the Partners in Compliance Program in British Columbia as soon as possible, in order to improve the relationship and lessen hostility between the branch and trucking community.
- Expand the hours of operation of portable weigh scales in order to increase the probability of intercepting a larger number of unsafe trucks and drivers.

Auditor General's Trucking Safety Recommendations: Completion Plan

Of the twenty-three recommendations made in total by the Auditor General, ten have been addressed, three are considered to be ongoing and four were not accepted by ICBC. Work to address the remaining recommendations is currently in progress. The following table indicates which area of ICBC is responsible for taking this work forward, its current status, and target completion date.

Office of the Auditor General of British Columbia Recommendation	Status	Area of ICBC Responsible	Target Completion Date
Define "trucking safety," develop performance measures and set targets with respect to the desired level of safety.	In progress: ▪ Key measures being developed ▪ Working on gathering of data to support measurements	Compliance Operations Provincial Manager	December 2000
Institute a program evaluation framework to provide managers with regular and accurate performance reports on its enforcement programs and, in the longer term, determine the relationship between its enforcement programs and trucking safety.	In progress: ▪ Linked with definition of truck safety and targets	Compliance Operations Provincial Manager	December 2000
Clearly communicate the relative emphasis that inspectors should place on educating the trucking industry about its responsibilities for safety versus strict enforcement of the regulations.	In progress: ▪ Responsibilities are set out in inspectors manual ▪ New inspector training curriculum developed in conjunction with Justice Institute and Attorney General Ministry. Includes modules on customer service, safety and enforcement	ICBC Operations Training Department	▪ Training for new staff will complete June 2000 ▪ Three additional offerings for new staff will be completed in 2000 ▪ Upgrade training for over 200 existing staff will begin in May 2000 and complete by June 2001

Auditor General's Trucking Safety Recommendations: Completion Plan

Office of the Auditor General of British Columbia Recommendation	Status	Area of ICBC Responsible	Target Completion Date
Institute a centralized monitoring function to ensure uniformity and consistency in the application of safety standards.	In progress: ▪ Sample reports review on a random basis ▪ Process being refined to ensure sufficient numbers of inspections are reviewed to ensure accuracy of results	Compliance Operations	September 2000
Develop a comprehensive human resource plan to determine the number, type and location of staff needed in the future to provide services; and ensure that existing and new staff have the knowledge, skills and abilities to meet ministry expectations.	In progress: ▪ Future staff requirements and distribution identified ▪ Comprehensive staffing model to be developed	Compliance Operations	December 2000
Find ways to monitor key border entry points such as by constructing fixed facilities or introducing regular random deployment of portable weigh scales to increase the probability of intercepting a larger number of unsafe trucks and drivers.	In progress: ▪ Implementation of strategic plan will alter distribution and move towards a more portable environment	ICBC Regional Operations Vice Presidents	Full implementation of the Weigh Scale Strategic Plan, including a construction program will extend over a 5 year period beginning in 1999. ICBC has allocated additional $8.3 million capital and $3 million operating costs to the strategic plan implementation for years 2000 and 2001.

Auditor General's Trucking Safety Recommendations: Completion Plan

Office of the Auditor General of British Columbia Recommendation	Status	Area of ICBC Responsible	Target Completion Date
Find ways to operate key fixed weigh scales on a 24-hour, 7-day-a-week basis or, barring this, have regular random opening of key scales during off-hours to increase the probability of intercepting a larger number of unsafe trucks and drivers.	In progress: ▪ Phased implementation of 24-hour, 7-day operation is in progress	ICBC Regional Operations Vice Presidents	Fixed scales will operate 7x24 upon completion of new staff training as Police Services will not allow staff enforcement authority prior to completing training. Scales will operate 7x24 as indicated: Pacific June 2000 Haig June 2000 Hunter Creek June 2000 Laidlaw June 2000 Golden June 2000 Kamloops West June 2000 Dawson Creek Dec 2000 Tete Jaune July 2001 Kamloops East July 2001 Yak July 2001
Develop greater flexibility in the hours of operation of portable weigh scales, thereby reducing the present pattern of mostly concurrent hours of service with fixed weigh scales.	In progress: ▪ Addressing workplace safety risk associated with working alone during off hours. ▪ Some portables will operate longer hours in conjunction with migration of fixed scales to 7x24.	Regional Operational Vice President	June 2000 onward

Auditor General's Trucking Safety Recommendations: Completion Plan

Office of the Auditor General of British Columbia Recommendation	Status	Area of ICBC Responsible	Target Completion Date
Consider whether fines for significant safety violations should be extended to the shipper or trucking company.	In progress: ▪ Monitoring related court case in Ontario to determine if proposal is legally feasible	Commercial Vehicle Task Force Project	Action on this item has been deferred until further notice

Appendix: Timetable of Reports Issued and Public Accounts Committee Meetings on Trucking Safety

Report	Auditor General issued the report in December 1996. The report contained twenty-three recommendations. Public Accounts Committee reviewed the report on February 25, 1997. On completing its review 23 remained outstanding. Public Accounts Committee reported the results of its review to the Legislative Assembly on June 10, 1997.
First follow-up	Auditor General reported the status of implementation of the recommendations in August 1998 in 1998/1999: Report 1, Follow-up of 1996 Performance Audits/Studies. Public Accounts Committee reviewed the follow-up report on February 9, 1999. On completing its review, 19 remained outstanding. Public Accounts Committee reported to the Legislative Assembly on July 6, 1999. The report included five recommendations made by the committee.
Second follow-up	Auditor General reported the status of implementation of the audit recommendations in May 1999 in 1999/2000 Report 1, 1999 Follow-up of Performance Audits/Studies. Public Accounts Committee has not yet reviewed the report.

Office of the Auditor General of British Columbia

Information provided to the Select Standing Committee
on Public Accounts regarding
the follow-up of recommendations in

1996/1997 Report 3:
Ministry of Transportation and Highways:
Vancouver Island Highway Project:
Planning and Design

June 2000

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

This is our report on our June, 2000 follow-up of the four recommendations from our 1996/97: Report 3 Vancouver Island Highway Project: Planning and Design, Ministry of Transportation and Highways and the three recommendations from the Select Standing Committee on Public Accounts Report on Follow-Up of 1996 Performance Audits/Studies (see appendix).

In accordance with our arrangement with the Select Standing Committee on Public Accounts, we wrote to the Ministry of Transportation and Highways in May, 2000 requesting information as to the current status of the four outstanding recommendations from our report and the three recommendations from the Public Accounts Committee report. We received the Ministry's response in May, 2000.

We have reviewed the representations provided by the Ministry of Transportation and Highways regarding progress in implementing the recommendations. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the Ministry of Transportation and Highways' progress report does not present fairly, in all significant respects, the progress made in implementing the recommendations contained in our 1996/1997 report and in the committee's report.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

June 12, 2000

Summary of Original Report on Vancouver Island Highway Project: Planning and Design

Audit Purpose and Scope

The purpose of this audit was to assess whether the Ministry of Transportation and Highways has taken appropriate steps to ensure that the designs for the Vancouver Island Highway provide good value for money. "Appropriate steps" include:

- planning and design management processes which provide reasonable assurance that needs are identified and designs developed to address those needs in a cost-effective manner; and
- a suitable framework of technical standards within which the planning and design processes occur.

We looked mainly at the period since November 1988, when the Minister of Transportation and Highways announced that the government would upgrade the highway, and that the project would be completed by 1996. This announcement signaled the beginning of the project as it exists today.

Our audit focused on the planning and design of specific sections of the project. We did not review the broader issues of transportation planning, or the decision of the government to make upgrading the Vancouver Island Highway its number one highway capital priority in 1988.

Overall Conclusion

We concluded that the designs for the Vancouver Island Highway will provide good value for money within the context of current ministry standards and guidelines.

Although there was insufficient planning during early phases of the project, the Vancouver Island Highway Project team has addressed most of the deficiencies during the subsequent planning and design phases. The team has also developed appropriate design management processes, including an adequate Quality Management program.

The ministry's planning and design standards, including guidelines for establishing functional classification of highways, are generally adequate. However, we believe the ministry would benefit from reviewing these standards and their application to ensure that they promote cost-effective planning and design decisions.

Summary of Status of Recommendations

Original Issue Date: December 1996
Year Followed Up: 1998

Summary of status at May 2000	OAG	PAC	Further Follow-up Required
Total Recommendations	**4**	**3**	—
Fully Implemented	2	2	—
Partially Implemented	2	—	—
Alternative Action	—	1	—
No Action	—	—	—

Recommendations and Their Status

Recommendations of the Office of the Auditor General of British Columbia

Number of recommendations in the original report 4
Recommendations requiring further follow-up 2

Partially Implemented Recommendations

- *The ministry should formally monitor the performance of the highway system over time in order to identify and replicate, where practical, design features that provide the most cost-effective solution to identified highway transportation needs.*

The ministry has a number of initiatives to implement the recommendation.

- *The ministry should encourage designers to consider cost-effective alternatives that include variances from ministry design standards. Requests for variance from ministry standards should be supported by detailed risk and cost-benefit analyses.*

The recommendation is being implemented on an ongoing basis, through a number of ministry policies and procedures.

Ministry of Transportation and Highways' Follow-up Response, May 2000

The Auditor General of British Columbia issued a report in December 1996 entitled "1996/97 Report 3, Vancouver Island Highway Project: Planning and Design." The purpose of the audit was to assess whether the Ministry of Transportation and Highways had taken appropriate steps to ensure that the designs for the Vancouver Island Highway provide good value for money, including:

- planning and design management processes which provide reasonable assurance that needs are identified and designs developed to address those needs in a cost-effective manner, and
- suitable framework of technical standards within which the planning and design processes occur.

To quote from the report:

"We concluded that the designs for the Vancouver Island Highway would provide good value for money within the context of current ministry standards and guidelines."

"The Ministry's planning and design standards, including guidelines for establishing functional classification of highways, were generally adequate. However, we believed the ministry would benefit from reviewing these standards and their application to ensure that they promote cost-effective planning and design decisions."

In December 1997, Auditor General staff asked for a report on Ministry of Transportation and Highways progress in implementing the recommendations arising from the audit. Since planning and design for the Vancouver Island Highway Project was well advanced, implementation mostly applied to more recently initiated projects being delivered by the Ministry. The Ministry responded in writing, and appeared before the Public Accounts Committee in February 1999. The Committee indicated that it was favourably impressed with the work the Ministry was doing.

In their "Report #6" in the summer of 1999, the Committee recommended that the Ministry continue in its efforts to implement the Auditor General's 1996 recommendations, and that an update on progress made be provided.

All recommendations from the 1996 audit have been addressed by the Ministry, and processes are in place to continue to refine technical standards and assure that appropriate, cost-effective highway designs are produced for capital projects.

Public Account Committee Recommendations

The Public Account Committee made three recommendations concerning the 1996 Audit in its Report #6 to the Legislature in the summer of 1999. A brief summary of the Ministry's actions concerning those recommendations follows:

Recommendation:

That the Ministry of Transportation and Highways periodically review the life-cycle time frame utilized to conduct cost-benefit analyses of potential highway capital projects within the Microbencost program.

This recommendation has been implemented. The default time frame in the MicroBencost analysis program is 20 years. However, the time frame currently used by the Ministry for benefit/cost analysis is 25 years. This analysis time period was chosen after discussions with BC Transportation Financing Authority (BCTFA) staff as well as private sector experts. Appendix A presents a brief discussion and tests the sensitivity of this analysis period for typical highway projects.

Ministry and BCTFA staff have an active Economic Analysis Committee which disseminates updated information and serves as a forum for discussion of analysis issues. The length of the analysis period will be considered periodically by this committee along with other key analysis factors.

Recommendation:

That the Ministry of Transportation and Highways continue in its efforts to implement the Auditor General's 1996 recommendations regarding highway project planning and design.

The 1996 recommendations are listed below, along with measures taken to implement them.

1996 Audit Recommendation:

The ministry should include, in addition to estimated capital cost, the estimated lifecycle cost of each alternative being evaluated during the design process.

This recommendation has been fully implemented. As indicated in the discussion of the MicroBencost benefit/cost analysis program in Exhibit 1, lifecycle costs are routinely included in the analysis of proposed capital projects. In a MicroBencost analysis several design options may be examined. The estimated costs of each option (initial capital and lifecycle) will be weighed against the estimated benefits to travel time and safety. All options are then compared with the "do nothing" option. The results form the basis of the recommendation included in the business case submitted to the BCTFA for funding for the project.

1996 Audit Recommendation:

The ministry should formally monitor the performance of the highway system over time in order to identify and replicate, where practical, design features that provide the most cost-effective solutions to identified highway transportation needs.

The Ministry has a number of initiatives under way to implement this recommendation. It is recognized that the ability to report on inventory, performance and condition of the provincial highway system is of key importance. A Data Management Strategy has been developed and approved for implementation, concentrating on addressing two issues:

- how to resolve issues related to the different methods in use within the ministry for locating features or events related to the physical highway infrastructure, its use and maintenance; and
- acquisition of significant data in the areas of highway safety, traffic volume data and photolog data.

A workplan is being developed to detail and schedule the implementation of the Data Sharing Framework recommended by the strategy over the next 18 to 21 months. This progress will allow the ministry to access and report from a performance monitoring perspective in a much more timely and dynamic fashion.

Close-out reports are completed for each capital project, including a "lessons learned" section. Results are brought forward to Project Management Committee meetings for discussion and application to future projects.

Surfacing techniques are monitored and evaluated to better inform decisions on paving. Regional Pavement Managers meet periodically to share their experience with different pavement designs. All surfacing projects are recorded in the Ministry's

Pavement Management System, and periodic pavement condition surveys are performed for all provincial numbered routes. The resulting information on pavement condition (surface distress, roughness and rutting) are fed into the system. Reports are used in the Ministry's Rehabilitation program.

The Ministry also maintains a Bridge Management System, which includes condition information on provincial bridges and enables tracking of the performance of different design techniques. In addition, low-volume road bridge design and construction guidelines are being developed. The use of pre-engineered bridge components, site-specific risk analysis and minimum engineering requirements which are compatible with public safety on low-volume roads will help to reduce the Ministry's annual costs for bridge replacement.

In summary, the Ministry has taken and will continue to take steps to monitor the performance of the highway system and apply the results to improving cost-effective design on new projects.

1996 Audit Recommendation:

The ministry should review the planning guidelines contained in the Highway Functional Classification Study. In particular, it should confirm that functional requirements associated with the current level of service goals—and the costs associated with meeting those requirements—are consistent with government fiscal policies.

This recommendation has been substantially implemented. The Highway Functional Classification Study has not been revised, but Level of Service is no longer used to justify expenditures; instead, Corridor Management Plans identify and analyze deficiencies based on travel speed/time, observed accident rates, unplanned road closures and infrastructure condition information. Priorities for investment are assigned based on multiple account evaluation with a focus on benefits to the traveling public, in support of funding decisions within existing fiscal limits.

The Functional Classification Study is based on the connectivity provided by each corridor. It fills a role in defining the provincial highway network. Corridor Management Plans include a more in-depth definition of the role and function of the highway, taking account of such factors as the volume of commercial vehicles and the role of the route in supporting the local and provincial economy.

A revision of the Functional Classification Study is planned sometime in the future, but it is not envisioned that it will be used to support the analysis of individual projects.

1996 Audit Recommendation:

The ministry should encourage designers to consider cost-effective alternatives that include variances from ministry design standards. Requests for variance from ministry standards should be supported by detailed risk and cost-benefit analyses.

This recommendation is being implemented on an ongoing basis, through a number of Ministry policies and procedures.

The Ministry continues to apply value analysis/value engineering (VA/VE) procedures to capital projects in accordance with its established policy. Recent experience indicates continued improved cost-effective project design resulting from VA/VE, although not on every project. In addition to the formal process, it is not uncommon for project managers to apply value engineering methods informally as designs are developed in order to keep a project within the approved budget.

The Ministry is currently developing a Road Safety Audit policy. Several pilot projects will include Road Safety Audits (RSA) this fiscal year. Based on experience in other jurisdictions, RSAs are expected to result in improved safety designs for capital projects. If the pilot projects show good results, procedures will be developed to incorporate RSAs into all capital projects.

The Ministry is involved in initiatives to update its geometric design guidelines and strengthen the consideration of benefit/cost in the design process. Ministry staff participated in a Transportation Association of Canada (TAC) revision of the Geometric Design Guide which was released in September 1999. The Guide explicitly moves away from design standards, replacing them with the concept of a "design domain" under which design criteria are selected from ranges of values. Selection is based on benefits and costs in the particular design situation.

An initiative related to the "design domain" concept is the establishment of ambient design guidelines for some highway corridors, where no major upgrade of the highway is planned in the foreseeable future. The Ministry has endorsed the concept of ambient design guidelines, and these have been defined for several routes and applied to capital projects on them. Examples include Highway 37 from Deltaic Creek to the Yukon border and

portions of Highway 3 in the Kootenays. Capital project designs on these routes call for such variations as narrower shoulders and less extensive clear zones than would be included on a route such as the Trans Canada Highway.

Recommendation:

That representatives of the Ministry of Transportation and Highways re-attend before the committee no later than October 31, 1999 in order to provide an update on progress made in implementing the committee's recommendations.

No further response required, beyond attending when invited.

John Dyble
Assistant Deputy Minister
Planning and Major Projects
Ministry of Transportation and Highways

Exhibit 1: Benefit/Cost Analysis Time Frame

The Ministry uses the MicroBencost computer program to analyze the costs and benefits of a proposed highways capital project. This program is recommended by the Transportation Association of Canada.

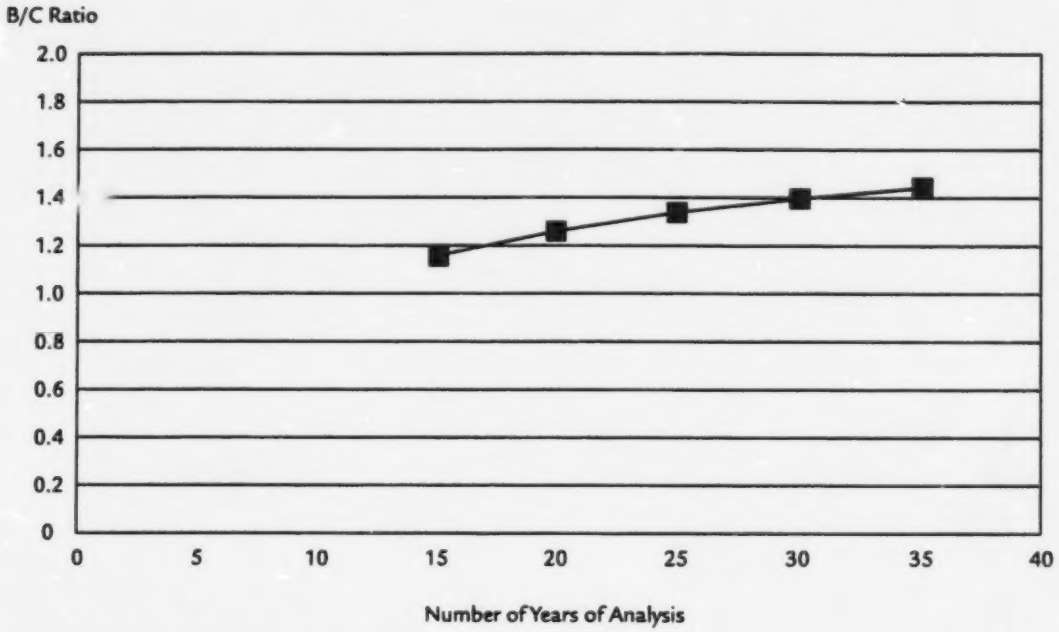
MicroBencost calculates the Net Present Value of an annualized series of costs and benefits to road users attributable to a proposed capital project. Costs include the initial capital investment, estimates of annual maintenance such as crack-sealing, and periodic repaving during the 25-year time period of the analysis. Benefits include safety benefits (fewer and/or less severe accidents) and time and vehicle cost savings to the public.

The current life-cycle time frame used by the Ministry for MicroBencost analysis is 25 years. The life of the road bed, which represents the majority of the cost, can be 50 years or more with appropriate maintenance while the life of the paved surface is usually between 12 and 15 years. Periodic repaving cost estimates are included in the MicroBencost analysis, and a residual value is included in the final year.

A sensitivity analysis (Exhibit 2) of a typical project indicates that the Net Present Value and benefit/cost ratio would increase slightly if an analysis period longer than 25 years were used. However, the change is not large enough to change the conclusion of the analysis for a typical project. It is also appropriate that the 25-year analysis period results in a slightly conservative benefit/cost ratio.

Exhibit 2

Sensitivity of B/C ratio to analysis period
for a typical added capacity highway improvement project



Appendix: Time table of Reports Issued and Public Accounts Committee Meetings on the Vancouver Island Highway Project

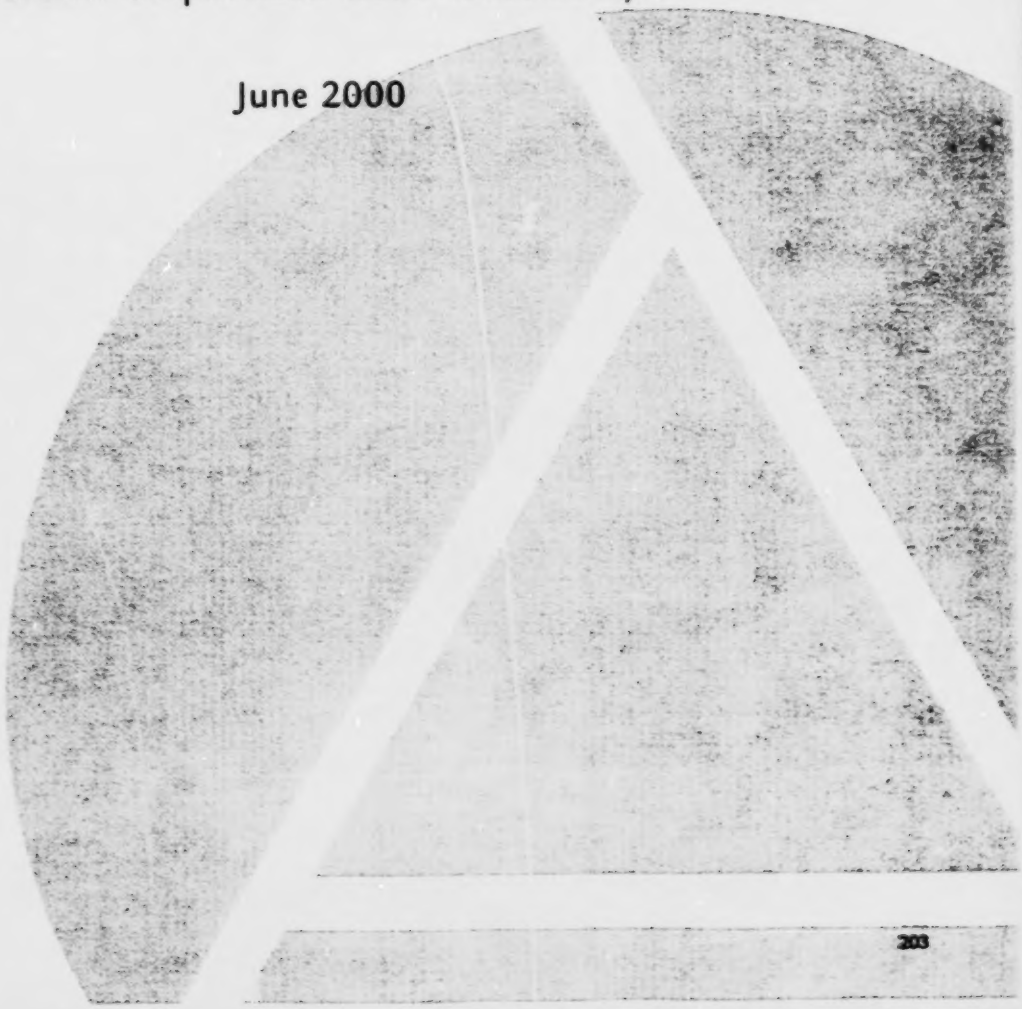
December 1996	Office of the Auditor General issues 1996/97 Report 3, Vancouver Island Highway Project: Planning and Design, Ministry of Transportation and Highways. The report included four recommendations.
March 1997	The Select Standing Committee on Public Accounts reviews our report.
June 1997	The Select Standing Committee on Public Accounts reports to the Legislative Assembly on its review of the report.
August 1998	Office of the Auditor General issues 1998/99: Report 1, Follow-up of 1996 Performance Audits/Studies, which included a chapter on Vancouver Island Highway Project: Planning and Design, Ministry of Transportation and Highways.
February 1999	The Select Standing Committee on Public Accounts reviews the chapter on Vancouver Island Highway Project: Planning and Design, Ministry of Transportation and Highways.
July 1999	The Select Standing Committee on Public Accounts approves its report on 1998/99: Report 1, Follow-up of 1996 Performance Audits/Studies which contains three recommendations relating to Vancouver Island Highway Project: Planning and Design, Ministry of Transportation and Highways.
June 2000	Office of the Auditor General review provides the Select Standing Committee on Public Accounts with the May 2000 follow-up information.

Office of the Auditor General of British Columbia

Information provided to the Select Standing Committee
on Public Accounts regarding
the follow-up of recommendations in

1996/1997 Report 2:
Crown Corporation Governance Study

June 2000



OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

This is our report on our May 2000 follow-up of the recommendation from our 1996/97: Report 2 Crown Corporation Governance study and the five recommendations from the Select Standing Committee on Public Accounts Report on Follow-Up of 1996 Performance Audits/Studies that remained unresolved when the committee last dealt with the report (appendix).

In accordance with our agreement with the Select Standing Committee on Public Accounts, we wrote to the Deputy Minister to the Premier in April, 2000 requesting information as to the current status of the outstanding recommendation from our report and the five recommendations from the Public Accounts Committee report. We received the government's response in May, 2000.

We have reviewed the information provided by the Deputy Minister to the Premier regarding progress in implementing the recommendations. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the government's progress report does not present fairly, in all significant respects, the progress made in implementing the recommendations contained in our 1996/1997 report and in the committee's report.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

June 2000

Summary of Original Report on Crown Corporation Governance

Purpose

Our study focused on broad governance issues related to the responsibilities, authorities, accountabilities, and relationships defined for the various entities involved in the governance of Crown corporations in the Province, as well as on the specific practices that boards follow to fulfill their role of supervising the affairs of Crown corporations.

Overall Conclusion

Our study indicated there is a great deal of interest in Crown corporation governance in British Columbia, and that the governance challenges in British Columbia are similar to those faced in other jurisdictions. We also found there is general agreement among those involved in Crown corporation governance in the Province that the current system could be improved. Clearly British Columbia can both learn from and apply the lessons learned elsewhere to make governance in Crown corporations better.

What is needed is a governance model for Crown corporations that meets the requirements of the Legislative Assembly, government, and boards in a way that balances accountability expectations with the boards' need for sufficient independence and flexibility to carry out their responsibilities.

We also believed that Crown corporation boards could benefit from studying and applying some of the recent developments taking place in both the private and public sectors to improve the effectiveness of boards.

Summary of Status of Recommendations on Crown Corporation Governance

Original Issue Date: November 1996
Year Followed Up: 1998

Summary of status at May 2000	OAG	PAC	Further Follow-up Required
Total Recommendations	1	5	3
Fully Implemented	–	1	–
Partially Implemented	1	2	3
Alternative Action	–	1	–
No Action	–	1	–

Recommendations and Their Status

Recommendations of the Office of the Auditor General of British Columbia

Number of recommendations in the original report 1
Recommendations requiring further follow-up 1

Partially Implemented Recommendations

We recommend that the government review the current system of Crown corporation governance and develop a model that:

- is based on the principles and values of the government;
- clearly establishes the respective roles and responsibilities of all those involved in Crown corporation governance;
- provides the flexibility needed by the boards to carry out their duties; and
- is based on the degree of independence the government and Legislative Assembly wish to be accorded to Crown corporations.

The Public Accounts Committee report entitled: Follow-up of the 1996 Performance Audits/Studies, Third Session, Thirty-sixth Parliament, British Columbia Legislative Assembly, July 6, 1999, Report 6

Number of recommendations in the original report	5
Recommendations for further follow-up	2

Partially Implemented Recommendations

1. That the government examine:
   - the current method by which appointment of directors to boards of Crown corporations' subsidiaries takes place;
   - the need for subsidiaries of Crown corporations to develop strategic plans and financial reports separate from their parent corporations.
2. That the Crown Corporations Secretariat develop a plan setting out the specific timeframes involved in implementation of its new strategic planning process.

No action

That the government activate the Select Standing Committee on Crown corporations, and refer to it matters that would allow that committee to provide the oversight role necessary to ensure that Crown corporations are accountable for setting and meeting objectives.

Reply to Public Accounts Committee, May 15, 2000

Introduction

In November, 1996, the Auditor General of B.C. issued a study titled "Crown Corporations Governance." In that study, the Auditor General made one general recommendation that the government review the current system of Crown corporation governance and develop a legislated model to cover the roles and responsibilities of all Crown corporations.

The government has responded to the Auditor General's recommendation by building on a series of initiatives such as performance measurement and strategic planning as a means of improving Crown corporation accountability. Those initiatives have been focussed on finding the right balance between government allowing independence for Crowns to operate in a commercial, business-like manner while still having the right kinds of checks, balances and accountability government demands.

The Auditor General's report was subsequently discussed at the Select Standing Committee on Public Accounts in March, 1997. The Committee, in reviewing this report, made the additional recommendation that Crown Corporations Secretariat develop training and orientation programs and materials for newly appointed directors.

Finally, in February, 1999, government appeared before the Select Standing Committee as part of the follow-up to the Auditor General's 1996 study. In response, the Select Standing Committee issued a report in July, 1999 which made some additional recommendations.

Government respectfully submits this written response to those recommendations.

Recommendation:

Your committee recommends that the government examine:

- *the current method by which appointment of directors to boards of Crown corporations' subsidiaries takes place;*
- *the need for subsidiaries of Crown corporations to develop strategic plans and financial reports separate from their parent corporations.*

Response:

Government is presently engaged with Crown corporations in a project to define criteria for the creation, dissolution and oversight of subsidiaries. The issue of appointments and appropriate planning and financial reporting is part of that discussion. This project complements work underway to implement the key elements contained in the *Budget Transparency and Accountability Act* (as tabled) and will likely conclude this Fall.

Recommendation:

Your committee recommends that the government activate the Select Standing Committee on Crown Corporations, and refer to it matters that would allow that committee to provide the oversight role necessary to ensure that Crown corporations are accountable for setting and meeting objectives.

Response:

The topic of the Committee structure of the Legislature is presently under discussion between the government members and opposition members, respectively.

Recommendation:

Your committee recommends that the Crown Corporations Secretariat continue its efforts to ensure that adequate training and orientation programs and materials are provided to newly-appointed directors.

Response:

CCS has delivered two board orientation sessions, in February and October of 1999. Board orientation material was developed in consultation with Crown corporations as well as a number of government agencies and covers a wide range of topics including the organizational structure of the BC government, ethics and conflict of interest, directors' duties and government financial controls and The formulation of a plan setting out the specific time frame involved in reporting. The sessions included a number of new and veteran directors. There are plans to host two other Board Orientation sessions in September, 2000 and January, 2001. CCS's goal is to have all directors of Crown corporations participate in a session within six months of their appointment.

Recommendation:

Your committee recommends that the Crown Corporations Secretariat develop a plan setting out the specific timeframes involved in implementation of its new strategic planning process.

Response:

The formulation of a plan setting out the specific time frames involved in implementation of Crown Corporation Secretariat's new strategic planning process has been superseded by the introduction of the *Budget Transparency and Accountability Act*. Under Section 13 (3) of the Act, government organizations must submit annual performance plans which will be made public on or before April 30th in each fiscal year by the Minister responsible. Such a strategic plan must address that fiscal year and the following two fiscal years. It must contain specific objectives and performance measures for the government organization which is consistent with current government strategic plan unless disclosure would be harmful to said organization.' Performance will be measured annually by comparing expected results listed in the strategic report with actual results of the previous fiscal year. The performance report by government organizations will be made public by the Minister responsible by June 30th in the current fiscal year and four months after the end of the preceding fiscal year of the government organization.

In addition to Crown corporations developing performance plans, section 12 of the Act requires that a minister must make public a government strategic plan that sets out government's priorities, identifies specific objectives and expected results and provides a fiscal forecast.

Government will continue to work with Crown corporations on the form and substance of the various required reports as well as monitoring compliance with new legislated requirements.

Recommendation:

Your committee recommends that the Crown Corporations Secretariat continue its efforts to address the Auditor General's 1996 recommendations regarding Crown corporations governance.

Response:

In his 1996 report on Crown corporations governance, the Auditor General made one general recommendation which is:

- We recommend that the government review the current system of Crown corporation governance and develop a model that:
  - is based on the principles and values of the government;
  - clearly establishes the respective roles and responsibilities of all those involved in Crown corporation governance;
  - provides the flexibility needed by the boards to carry out their duties; and
  - is based on the degree of independence the government and the Legislative Assembly wish to be accorded to Crown corporations.

In response, the tabling of the *Budget Transparency and Accountability Act* combined with government's acceptance of the recommendations in the Deloitte Consulting "Capital Management Process Review" will significantly change government's relationship with the Crown sector. For example, the Deloitte report considers an accountability framework for capital projects based on a risk matrix. This provides a helpful context for any further work the government wishes to undertake with respect to Crown corporation governance.

Any response to the issue of Crown corporation governance and accountability must reflect the fact that Crowns have different purposes - some pursue commercial objectives and are self supporting, others pursue economic development objectives or perform social and government services, which may require government financial support. Given the varying mandates of, and risk represented by the Crowns, the level of government oversight may also vary.

Some of the key governance and accountability initiatives government has undertaken with respect to the Crown corporation sector are listed below:

- Strategic and Business Plan Guidelines (1994)
- Guidelines on entrepreneurial activities of Crown corporations (1994);
- Establishment of performance measurement system for Crown corporations (including publication of multiple account evaluation guidelines–1995);

- Accountability and performance framework (1996);
- Strategic Plan Overview Guidelines (1998);
- Standards of Ethical Conduct for Crown corporations (1999);
- Development and delivery of board orientation sessions (1998/99);
- Revised guidelines for Performance Plans;
- Tabling of the *Budget Transparency and Accountability Act;* (March 2000); and,
- The Deloitte report on Capital Management Process Review (April 2000)

On February 29, 2000, Crown Corporations Secretariat was integrated into the Ministry of Finance and Corporate Relations. As the process of integration unfolds, there will be additional opportunities for the government to clarify roles and responsibilities of central agencies and determine the appropriate interface between government and the Crown sector.

Recommendation:

Your committee recommends that representatives of the Crown Corporation Secretariat re-attend before the committee no later than October 31, 1999 to provide an update on progress made in implementing the committee's recommendation.

Response:

While Crown Corporations Secretariat was prepared to appear at the Committee to give a progress report, it would appear that this was superseded by greater priorities of the Committee. Subsequently a new process for responding to recommendations of the Committee has been implemented. This response is submitted in the spirit of that new process.

Appendix: Timetable of Reports Issued and Public Accounts Committee Meetings on the Crown Corporation Governance Study

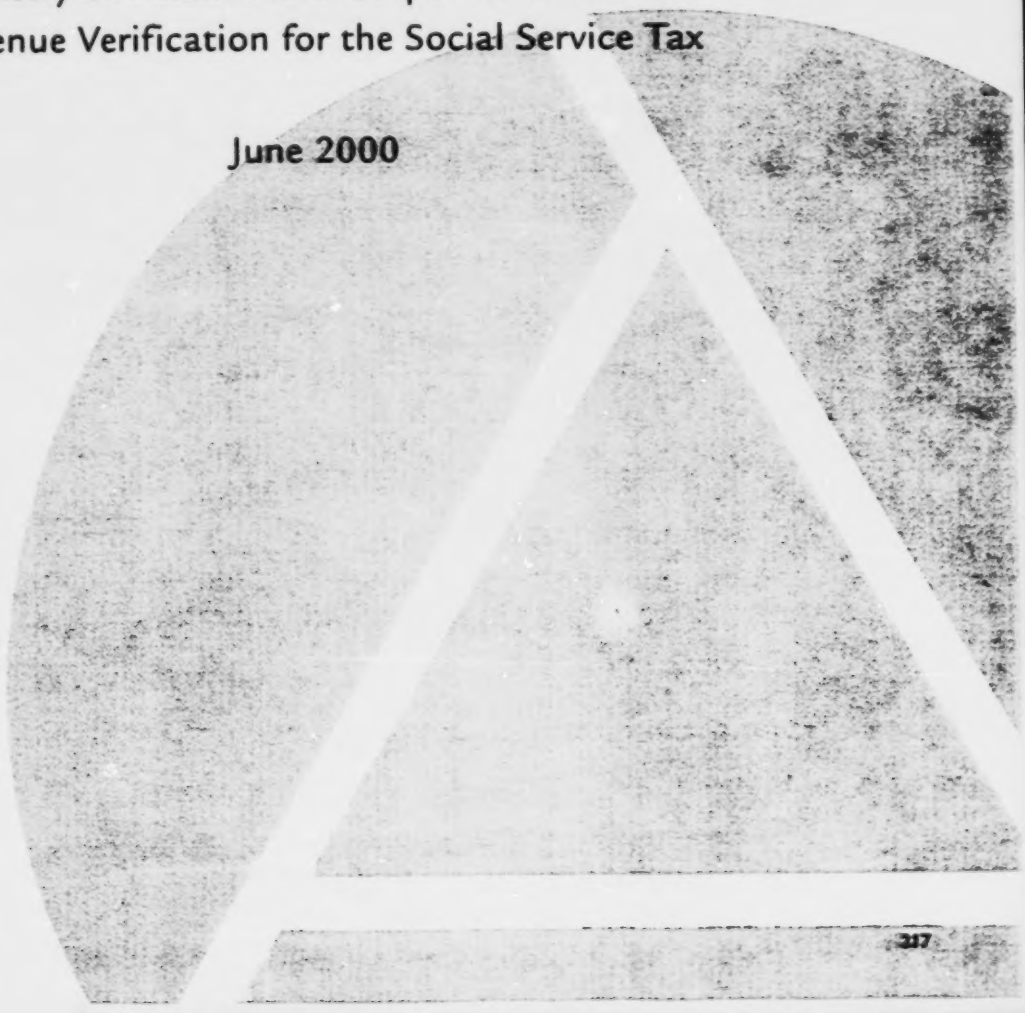
November 1996	Office of the Auditor General issues 1996/97 Report 2, Crown Corporation Governance Study. The report included on broad recommendation.
May 1997	The Select Standing Committee on Public Accounts reports to the Legislative Assembly on its review of the report. The Committee endorses the recommendation of the Auditor General.
August 1998	Office of the Auditor General issues 1998/99: Report 1, Follow-up of 1996 Performance Audits/Studies, which includes a chapter on the Crown Corporation Governance Study.
February 1999	The Select Standing Committee on Public Accounts reviews the chapter on the Crown Corporation Governance Study.
July 1999	The Select Standing Committee on Public Accounts approves its report on the 1998/99: Report 1, Follow-up of 1996 Performance Audits/Studies which contains six recommendations relating to the Crown Corporation Governance Study.
June 2000	Office of the Auditor General review provides the Select Standing Committee on Public Accounts with the May 2000 follow-up information.

Office of the Auditor General of British Columbia

Information provided to the Select Standing Committee
on Public Accounts regarding
the follow-up of recommendations in

1995/1996 Report 4:
Ministry of Finance and Corporate Relations:
Revenue Verification for the Social Service Tax

June 2000



OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

This is our report on our June, 2000 follow-up of the seven recommendations from our 1995/96: Report 4 Revenue Verification for the Social Service Tax, Ministry of Finance and Corporate Relations and the three recommendations from the Select Standing Committee on Public Accounts Report on Follow-Up of 1996 Performance Audits/Studies (see appendix).

In accordance with our arrangement with the Select Standing Committee on Public Accounts, we wrote to the Ministry of Finance and Corporate Relations in May, 2000 requesting information as to the current status of the seven recommendations from our report and the three recommendations from the Public Accounts Committee report. We received the Ministry's response in June 2000.

We have reviewed the representations provided by the Ministry of Finance and Corporate Relations regarding progress in implementing the recommendations. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the Ministry of Finance and Corporate Relations progress report does not present fairly, in all significant respects, the progress made in implementing the recommendations contained in our 1995/1996 report and in the committee's report.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

June 2000

Summary of Original Report on Revenue Verification for the Social Service Tax

Audit Purpose

The purpose of this audit was to assess whether the methods used by the ministry to maximize social service tax revenues while maintaining the integrity of the tax administration system were cost-effective, and whether the ministry was reliably estimating the size of the gap between tax revenues collected and those that were due.

Overall Conclusion

We concluded that the ministry's methods for maximizing social service tax revenues and maintaining the integrity of the tax system were cost-effective. The ministry provided sufficient information and education to taxpayers to ensure that they were aware of their responsibilities. Its enforcement staff conducted audits and inspections that identified non-compliance and unpaid taxes. This work was carried out according to clear and consistent strategies and appropriate procedures by qualified staff. However, the results of work in identifying unpaid taxes indicated that significant amounts of tax revenue, well in excess of the estimated cost of employing the additional resources required to find them, remained to be identified.

There was also scope for improvement in a number of other areas which would assist the ministry still further in its efforts to use its existing resources in the most efficient way. First, the ministry had not made the most effective use of its powers to prosecute offenders for non-compliance. However, to be able to counteract the growth the province had experienced in instances of serious non-compliance with the tax legislation, the ministry had developed policy options and made recommendations for legislative changes. Second, the ministry needed to improve its management information systems. Only with relevant and timely information could it more efficiently manage the program, and measure performance against objectives. Third, the ministry had not carried out extensive work on estimating the size and nature of the gap between taxes collected and those that were due although it had done some work in this area. It was not unique in this regard, as other tax jurisdictions were also exploring how to obtain this information. We encouraged the ministry to continue with its efforts in this area.

Finally, we concluded that the ministry should provide more information on its performance to the Legislative Assembly and the public.

Summary of Status of Recommendations

Original Issue Date: June 1996
Years Followed Up: 1998 and 2000

Summary of status at June 2000	OAG	PAC	Further Follow-up Required
Total Recommendations	7	3	–
Fully Implemented	4	–	–
Partially Implemented	3	2	–
Alternative Action	–	1	–

Recommendations and Their Status

Recommendations of the Office of the Auditor General of British Columbia

Number of recommendations in the original report 7
Recommendations requiring further follow-up 3

Partially Implemented Recommendations

- *The ministry should continue its efforts to estimate the size of the tax gap between taxes due and those collected.*

  The ministry is involved in a number of ongoing initiatives to implement this recommendation including gathering data relating to the underground economy.

- *The ministry should develop an appropriate management information system that would meet the needs of both the Consumer Taxation and the Revenue Administration branches.*

  The ministry is in the final stages of development and implementation of its new management information system.

- *The ministry should provide the Legislative Assembly and the public with more detailed and timely information about its performance in administering the social service tax, in terms of both outputs and outcomes achieved.*

The ministry is working on providing both outputs and outcomes on a more timely basis.

PAC recommendations not fully implemented

- *Your committee recommends that the Ministry of Finance and Corporate Relations continue its efforts to implement recommendations made by the Auditor General in 1996 with respect to revenue verification for the social service tax.*

This recommendation relates to the three partially implemented OAG recommendations listed above.

- *Your committee urges the Ministry of Finance and Corporate Relations to persist in its efforts to consider social service tax revenue issues in the context of the underground economy.*

This recommendation relates to the partially implemented OAG recommendation listed above.

May 2000 Progress Report on the Office of the Auditor General of British Columbia's 1995/96: Report 4 - Performance Audit Revenue Verification for the Social Service Tax

General Comments

The Ministry of Finance and Corporate Relations welcomes the opportunity to participate in this update to the *1995/96: Report 4—Performance Audit Revenue Verification for the Social Service Tax issued by the Office of the Auditor General (OAG).* We acknowledge the value of the report and the need to monitor the ministry's efforts. While we have continued to make significant progress in implementing many of the recommendations since the 1998 update, the ministry is nevertheless responsive to the fact that implementation of the recommendations will serve to enhance our effectiveness in collecting provincial tax revenues and to maintain the integrity of the social service tax system.

Summary of Initial Audit and Status of Recommendations

The original audit was conducted by the OAG in 1995 based on information from April 1994 to November 1995. The Legislative Assembly's Public Accounts Committee was convened and considered the audit report on November 21, 1996.

The initial audit was conducted to assess whether the methods used by the Ministry of Finance and Corporate Relations to maximize social service tax revenues while maintaining the integrity of the tax administration system are cost-effective and whether the ministry is estimating the gap between tax revenues collected and those that are due. The report concluded that the ministry's methods used to maximize social service tax revenues while maintaining the integrity of the tax administration system are cost-effective. It did, however, identify other areas that could be improved, and made recommendations relating to each area.

In 1998, the OAG requested an update report. This was completed in early 1999 and included as part of the OAG's *1998/99 Report 1: Follow-up of 1996 Performance Studies/Audits.*

The following document is the response to the May 2, 2000, request by the Legislative Assembly's Public Accounts Committee for an updated response (as at April 30, 2000) regarding the implementation of the OAG's recommendations contained in the original audit report and subsequent recommendations

by the Public Accounts Committee. It is divided into sections corresponding to recommendations made by the OAG. Each section begins with a re-statement of the recommendation and is followed by the ministry's response.

The Audit and Inspection Process

- *The ministry should continue its efforts to set clear targets for the different categories of audit carried out by the Consumer Taxation Branch and individual offices. Performance against these targets should be closely monitored to measure the extent to which they are achieved.*

The Consumer Taxation Branch has fully implemented its 1996 comprehensive five-year General Audit Plan. The General Plan established specific goals and objectives for improving the efficiency and effectiveness of the audit program. It also outlines how the branch's performance in meeting those goals will be measured. While there is one more year to go in the current plan, the principles and goals established in this plan have already been adopted for use in the next planning cycle.

Within the General Audit Plan framework, the branch develops specific Annual Audit Plans which detail the steps the branch is going to undertake during the year to meet the goals of the General Audit Plan. Clear targets with definable performance measures are established, and regular performance reports are provided to the Audit Steering Committee.

On a quarterly basis, a review of the Annual Audit Plan is conducted to determine if the branch is on the path to meeting its goals and whether any adjustments are required relative to the General Audit Plan.

The Tax Gap

- *The ministry should continue its efforts to estimate the size of the tax gap between taxes due and those collected.*

The ministry continues to recognize the importance of knowing the gap between tax due to the province and taxes collected. This information would be an invaluable tool to assist us in measuring the effectiveness of our programs and in allocating resources. However, the necessary data is often difficult to obtain, especially where it relates to the underground economy. This was acknowledged by the OAG in both the original report and in the 1998 update. It was also noted that all jurisdictions in North America have difficulty in measuring their tax revenue gap with respect to sales taxes.

However, despite the inherent difficulties in obtaining such data, the ministry has made progress in deriving estimates of the tax gap in specific areas.

In our 1998 update, we reported that the ministry was in the early stages of updating our consumer tax management information system and were hopeful the new system, with its improved data collection and processing capabilities, would better assist us in measuring the tax gap in specific sectors. Since then, the ministry has almost fully implemented the system, called the Tax Administration Compliance and Services, or TACS, system, as part of a larger project called "CTB21."

As part of the TACS system, the ministry has incorporated the ability to identify businesses by industry sector more easily. This information will facilitate the production of statistical reports by industry group which will provide us with a clearer picture of business activity within and between specific sectors.

In 1998 the ministry also reported that we had begun an analysis of our effectiveness by comparing tax trends in tax revenues with other business indicators such as gross domestic product (GDP), retail sales levels, and machinery and equipment investment. The trends serve as indicators of whether social service tax revenues are increasing in a comparable manner to areas in which tax may be owing.

The ministry has continued to use this method. The most recent data received indicates that in each area social service tax revenues have kept pace or exceeded the pace of growth in these areas, which serves as proof the branch is maintaining or improving the integrity of the administration of the tax administration system (see Exhibits 1–3 for charts of these trends).

Offences, Penalties, and Prosecutions

- *The ministry should implement an effective prosecution policy and communicate it to taxpayers.*
- *The ministry should collect information on the amount of penalties imposed by type, to aid in assessing the extent to which penalties are applied.*

Prosecution Policy

At the time of the initial OAG audit, the ministry had already begun a review of its prosecution policy with the aim of establishing a more effective approach that would both deter non-compliance and also communicate the ministry's policy

more clearly to taxpayers. As part of the review, various policy options in this area were examined. In addition, input was received from Crown Counsel and the RCMP regarding case selection for prosecution and resources needed to establish effective investigation and procedural processes that would enhance our effectiveness in this area.

The review concluded that since the ministry did not seek court prosecutions for minor, unintentional offences, including them as prosecutable offences under the *Social Service Tax Act* was neither an effective way to penalize those committing infractions, nor did it provide direction to the courts to determine the seriousness of an offence. It was recommended that the ministry should remove unintentional, minor infractions from the offences provisions under the Act and to pursue court prosecutions only for the most serious, willful, or repeated offences against the Act. (Minor infractions would, however, continue to be subject to administrative compliance measures, such as assessments of tax liabilities.) The review also recognized the need for additional resources to support this initiative.

The ministry acted on the review's recommendations by including amendments to the Social Service Tax Act which remove unintentional, minor infractions from the offence provisions under the Act (they were included in Bill 3, Budget Measure Implementation Act, 2000). These amendments clarify for both taxpayers and the courts which infractions are considered by the province to be sufficiently serious as to warrant court action. The ministry has acknowledged and accepted the need for additional resources to support its prosecution policies and has requested resources in the 2000/01 Business Plan.

Collection of Information on Penalties

In our response to the original audit, we reported that the ministry's information system did not have the ability to provide the amount of penalties levied by type (i.e., 10%, 25%, or 100% penalties). In our 1998 update, the ministry committed to review the collection of information on the amount of penalties imposed by type as part of the CTB21 project.

In this update, the ministry would like to report that it has not only fulfilled its commitment to review the recommendation, it has implemented it. Built into the new TACS system is the ability to enter, gather, track, and report information on penalties

by type, including number of penalties applied and amount. This information will provide the ministry with the ability to assess the extent to which penalties are applied.

These two initiatives, removal of minor offences from the prosecution provisions and the collection of information on penalties by type, provide the ministry with a more effective method to administer and enforce its penalty and prosecution policies which will, in turn, assist in deterring non-compliance.

Staff Resources

- *The ministry should develop a long-term resource planning strategy for enforcement which takes into account the full cost and benefits of such work.*

As reported in our 1998 update, the ministry reviewed resource needs for its consumer tax programs, including administering the social service tax, in 1996.

This review included an analysis of the costs of additional staff and the estimated additional tax recovery expected. It supported the conclusion that additional audit staff could be hired and that the associated revenue recovery would well exceed the cost of hiring and training new staff. The study resulted in a long-term resource plan and recommended a series of staffing increases for the Revenue Division (which includes the Consumer Taxation Branch) over subsequent years.

With the support of the recommendations made in the OAG's 1996 report, the Revenue Division received funding for an additional 36 audit-related positions (audit, compliance, and support staff) in 1997/98.

The Revenue Division again requested and received funding for 35 audit, compliance, and support staff in 1998/99, and for 33 in 1999/00. As part of the 1999/00 Business Plan, funding was also received for an additional 46 audit, compliance and support staff.

As anticipated by both the OAG and the ministry, the increase in auditors has resulted in additional revenue. For example, between 1998/99 and 1999/00 the average recovery per audit increased from $17,032 to $19,791 (a 16.2% increase) and the average recovery per audit hour increased 17.7% from $463 to $545.

Continuing with the long-term plan, the branch has again requested funding for additional positions in 2000/01.

Management Information Systems

- *The ministry should develop an appropriate management information system that would meet the needs of both the Consumer Taxation and the Revenue Administration branches.*

The ministry recognizes the need to have flexible and responsive information systems to effectively administer the province's social service tax system. The ministry has devoted the necessary resources to ensure the appropriate information technology is developed to meet the needs of tax administration processes and maintain the integrity of the tax system.

In January 1996, the Consumer Taxation Branch initiated the CTB21 project, a major redesign of its antiquated mainframe computer system. The former system, made up of multiple, non-integrated systems, was designed in the 1970s when computer technology was limited. The branch's needs had outgrown the capabilities of the system.

In May 1997, Treasury Board approved funding for the project, which was divided into three phases. Phase 1 was a detailed analysis of the business process areas requiring re-engineering and of the associated information system requirements. Phases 2 and 3 consist of designing, building, and implementing the system.

Phase 1 was successfully completed in December 1998. Phases 2 and 3 of the project began in January 1999 and are scheduled to be completed by December 2000 in a series of three implementation releases.

The first of the releases was successfully completed on October 1, 1999. It focussed on compliancy functionality that allow auditors to use the system in their daily audit activities. It also included processing of motor fuel returns and payments for motor fuel tax collectors.

The second major release began in April and will continue through May 2000. This is the largest release and includes the new registration system, which forms the basis for enhanced vendor service and provides full integration with the new returns and payments processing systems. This release focuses on the processing of hotel and social service tax returns and casual remittances by non-registered taxpayers. The new web-based registration system is scheduled for June, which will allow new vendors to register over the Internet.

The third major release will occur in the fall and will include the new systems for the International Fuel Tax Agreement (IFTA) and other motor fuel business areas as well as the tobacco tax business area.

Reporting to the Public and Legislative Assembly

- *The ministry should provide the Legislative Assembly and the public with more detailed and timely information about its performance in administering the social service tax, in terms of both outputs and outcomes achieved.*

As outlined in our 1998 update, beginning with the ministry's 1995/96 Annual Report, the Consumer Taxation Branch began to provide more detailed information on our performance in administering the social service tax for inclusion in the report. The reports produced since the last update (i.e., those from fiscal 1997/98 and 1998/99) have continued this trend. They have included more quantitative data such as number and value of tobacco seizures, revenue collection over specific time periods, and usage of the branch's web site. They have also included additional details regarding special activities designed to improve the collection and remittance of tax revenues due to the province such as the progress of the CTB 21 project, implementation of *One Stop Business Registration sites*, and improvements made to the business registration process, such as processing within 24 hours and downloadable forms on the branch's web site.

In 1999, the ministry also re-examined the issue of reporting to the public and elected officials. Other provinces and neighbouring states were contacted to determine how the ministry's reporting of tax administration compares with other jurisdictions, to identify the various methods used to disseminate information to the public and elected officials, and to discover to what extent performance measures are used to track progress.

The report concluded that the ministry's method of reporting and the information it provides is consistent with that in the other jurisdictions surveyed. This does not mean, however, that the ministry is content with the status quo. The ministry is continuously examining and implementing new methods to report its progress to its stakeholders.

For example, in relation to the administration of the social service tax, goals, objectives, strategies, outputs, outcomes and performance measures/indicators have been developed for all major operational areas within the Consumer Taxation Branch. These are summarized in the branch's Strategic Business Plan, which is then incorporated into the ministry's Performance Plan.

The ministry has also acted on the OAG's recommendation for more timely reporting to the Legislative Assembly by including in the *Budget Transparency and Accountability Act*, specific annual deadlines for the placing performance plans and annual reports before the Legislative Assembly. Further, in fulfillment of the requirement to make these reports available to the public under the Act, the ministry has placed the 2000/01 Performance Plan and the most recent Annual Report on the World Wide Web.

The ministry will, however, continue to seek input and to work with the OAG to update and develop further ways to report our performance in the future.

Ministry Contact:

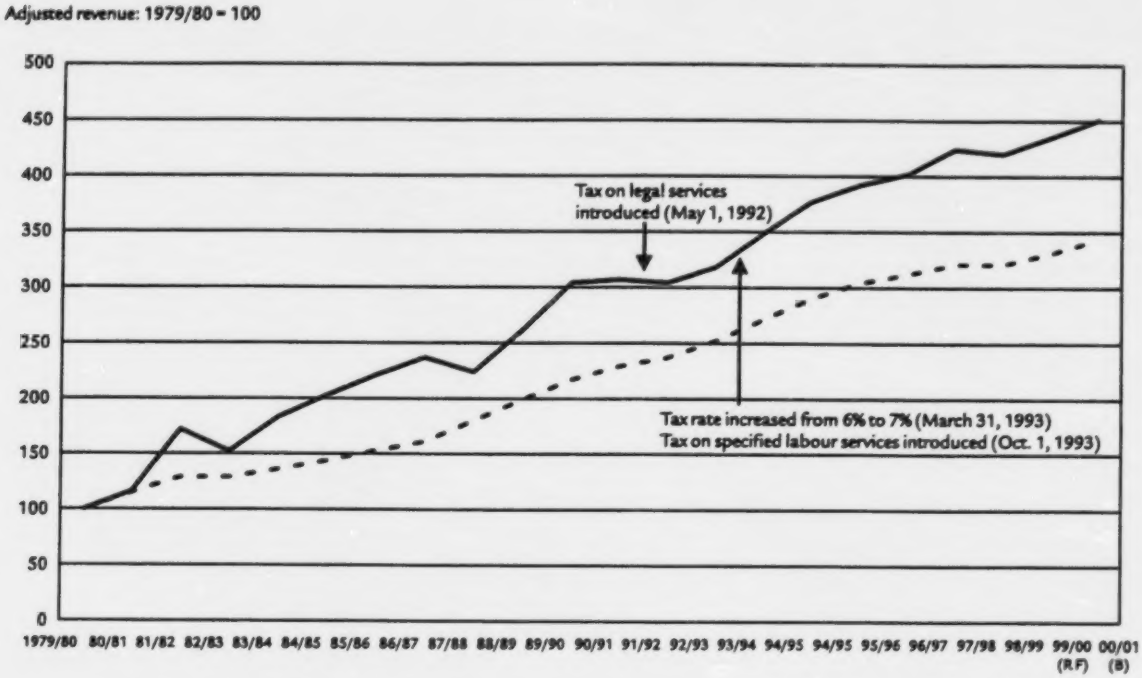
Greg A. Reimer, Executive Director
Consumer Taxation Branch
Revenue Division

Phone Number/e-mail:

387–0665
Greg.Reimer@gems1.gov.bc.ca

Exhibit 1

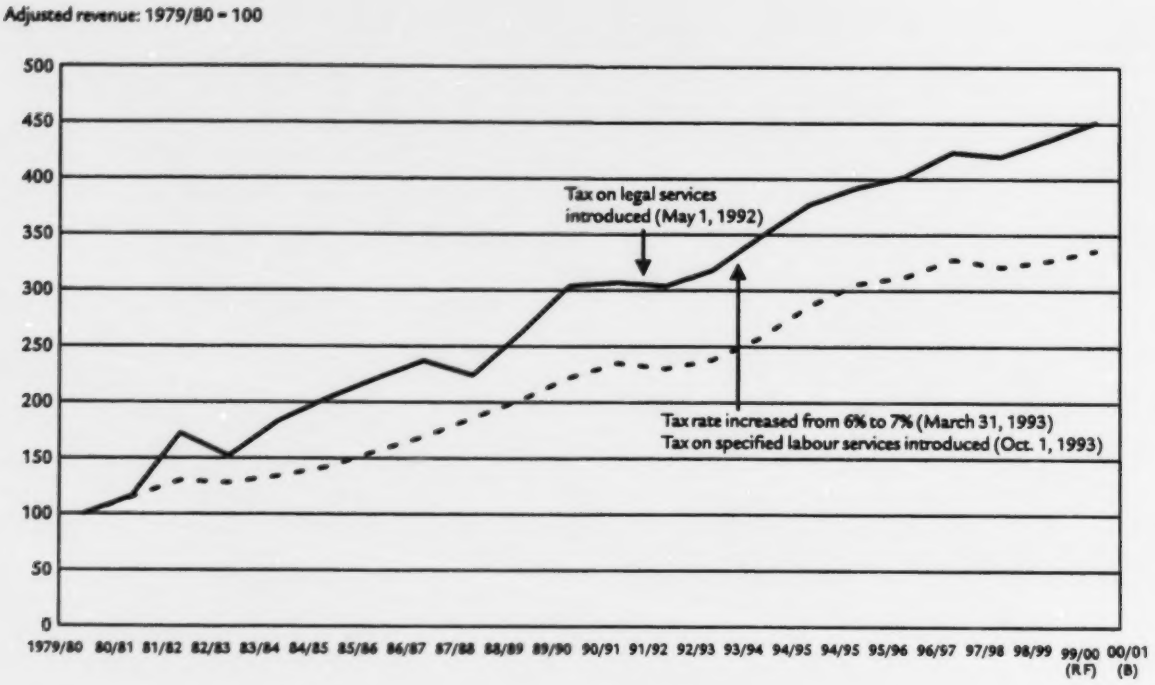
Social Service Tax Revenue Versus Nominal GDP


Adjusted revenue: 1979/80 = 100
500
450
400
350
300
250
200
150
100
50
0
Tax on legal services introduced (May 1, 1992)
Tax rate increased from 6% to 7% (March 31, 1993)
Tax on specified labour services introduced (Oct. 1, 1993)
1979/80 80/81 81/82 82/83 83/84 84/85 85/86 86/87 87/88 88/89 89/90 90/91 91/92 92/93 93/94 94/95 94/95 95/96 96/97 97/98 98/99 99/00 (R.F) 00/01 (B)
*Social Service Tax Revenue
**Nominal GDP
R.F = Revised forecast in 2000 budget
B = 2000 budget forecast

*SST figures prior to 1993/94 are net of commissions
**Calendar year basis

Exhibit 2

Social Service Tax Revenue Versus Retail Sales


Adjusted revenue: 1979/80 = 100
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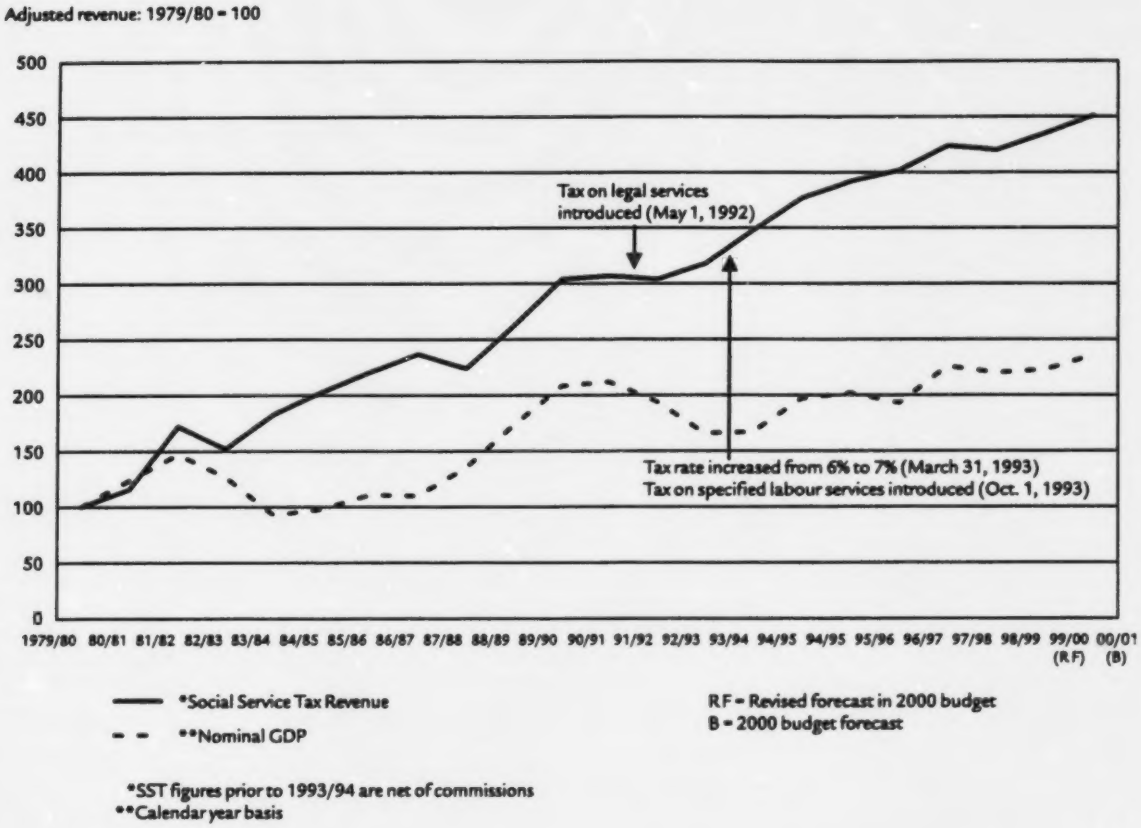
1979/80 80/81 81/82 82/83 83/84 84/85 85/86 86/87 87/88 88/89 89/90 90/91 91/92 92/93 93/94 94/95 94/95 95/96 96/97 97/98 98/99 99/00 (RF) 00/01 (B)
*Social Service Tax Revenue
**Nominal GDP
RF = Revised forecast in 2000 budget
B = 2000 budget forecast

*SST figures prior to 1993/94 are net of commissions
**Calendar year basis

Exhibit 3

Social Service Tax Revenue Versus Machinery and Equipment


Adjusted revenue: 1979/80 = 100
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*Social Service Tax Revenue
**Nominal GDP
R.F = Revised forecast in 2000 budget
B = 2000 budget forecast

*SST figures prior to 1993/94 are net of commissions
**Calendar year basis

Appendix: Timetable of Reports Issued and Public Accounts Committee Meetings on the Revenue Verification for the Social Service Tax

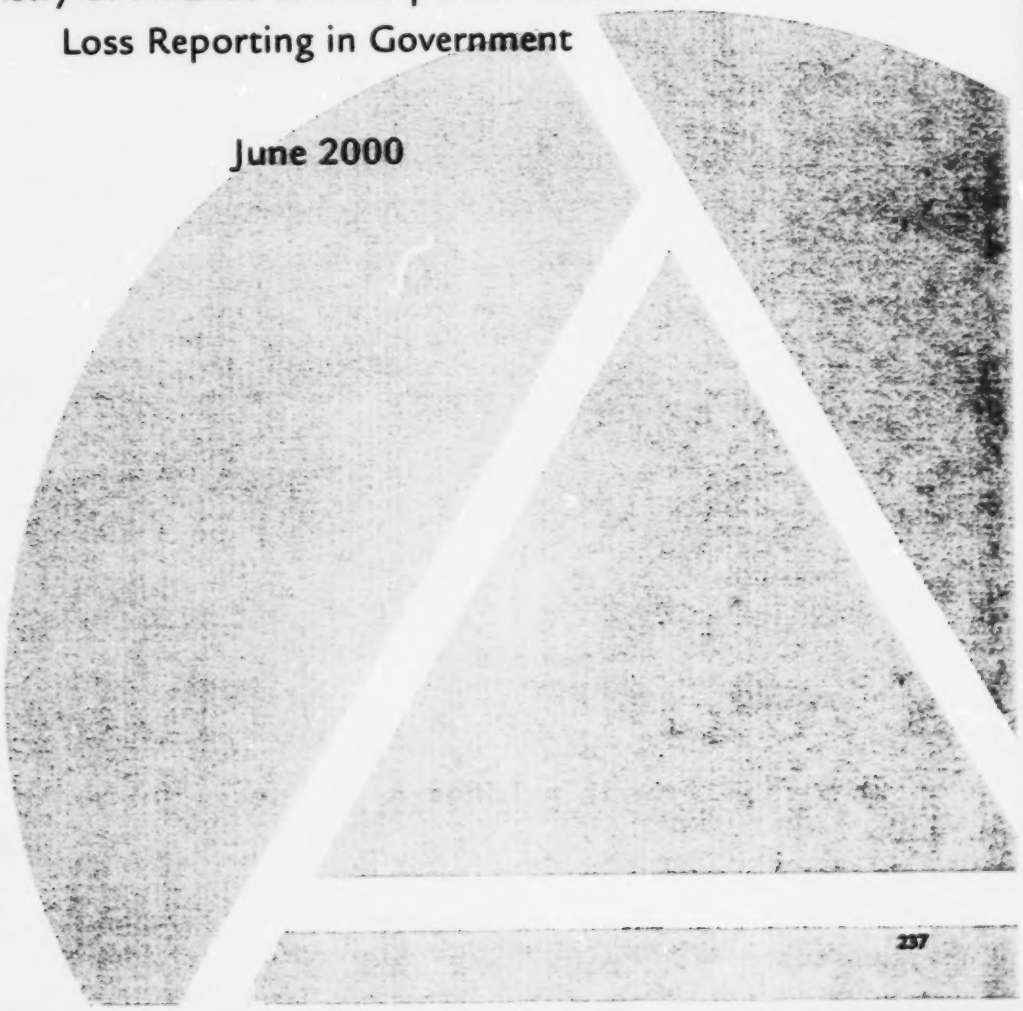
June 1996	Office of the Auditor General issues 1995/96 Report 4, Revenue Verification for the Social Service Tax, Ministry of Finance and Corporate Relations. The report included seven recommendations.
November 1996	The Select Standing Committee on Public Accounts reviews our report.
June 1997	The Select Standing Committee on Public Accounts reports to the Legislative Assembly on its review of the report.
August 1998	Office of the Auditor General issues 1998/99: Report 1, Follow-up of 1996 Performance Audits/Studies, which included a chapter on Revenue Verification for the Social Service Tax, Ministry of Finance and Corporate Relations.
January 1999	The Select Standing Committee on Public Accounts reviews the chapter on Revenue Verification for the Social Service Tax, Ministry of Finance and Corporate Relations.
July 1999	The Select Standing Committee on Public Accounts approves its report on 1998/99: Report 1, Follow-up of 1996 Performance Audits/Studies which contains ten recommendations relating to Revenue Verification for the Social Service Tax, Ministry of Finance and Corporate Relations.
June 2000	Office of the Auditor General review provides the Select Standing Committee on Public Accounts with the June 2000 follow-up information.

Office of the Auditor General of British Columbia

Information provided to the Select Standing Committee
on Public Accounts regarding
the follow-up of recommendations in

1997/1998 Report 4:
Ministry of Finance and Corporate Relations:
Loss Reporting in Government

June 2000



OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

This is our report on our June 2000 follow-up of the recommendations that remain outstanding from our 1997/1998 Report 4: Loss Reporting in Government.

In accordance with our arrangement with the Select Standing Committee on Public Accounts, we wrote to the Deputy Minister, Ministry of Finance and Corporate Relations, in May 2000 requesting information as to the current status of the recommendations from our report that remained unresolved when we last published a status report on this audit. We received the response in June 2000.

We have reviewed the representations provided by the Deputy Minister of the Ministry of Finance and Corporate Relations regarding progress in implementing the recommendations that were outstanding. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the Ministry of Finance and Corporate Relations' progress report does not present fairly, in all significant respects, the progress made in implementing the recommendations contained in our 1997/98 report and endorsed in the Committee's report.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

June 2000

Summary of Original Report on Ministry of Finance and Corporate Relations: Loss Reporting in Government

Audit Purpose

We carried out this audit to determine if government ministries were complying, in all significant respects, with Treasury Board policies in FMOP section 10.10.3 that relate to:

- reporting all losses (all losses due to fraud, theft, misappropriation and embezzlement, all losses of assets held in trust, and all losses from other causes over $1,000 must be reported);
- reporting losses in a timely manner (the department suffering the loss must forward a report within 48 hours of the discovery of the loss);
- reporting all the required information about the losses (that information must include a description of the incident, the asset and the nature of the loss, the place where the loss occurred, the account or person who suffered the loss, the amount of the loss or reasonable estimate, the circumstances that led to the loss, measures taken to recover the loss, and any applicable disciplinary action taken); and
- reporting to the appropriate authorities (the loss must be reported to the ministry executive and the Risk Management Branch, and the branch must forward a monthly summary to the Offices of the Auditor General and the Comptroller General; the police must be informed if the loss exceeds $1,000 and is due to fraud, theft, misappropriation or embezzlement).

Overall Conclusion

Reporting All Losses

We concluded that the reporting of losses in the fiscal year ended March 31, 1997 was incomplete. Several types of losses relating to illegal activities-BC Benefits frauds, unauthorized timber harvesting, and Medical Services Plan fraud-were not being reported as required by policy. And, while losses of moveable physical assets and petty cash/cash receipts were being reported, the reporting itself was not complete. Based on our work at four ministries (which accounted for 61% of the reported losses in the 1996/97 fiscal year), we found that 35% (approximately $77,000) of the reports sent to the Risk Management Branch had not also been sent to ministry executive officers. In addition, based on our review of incidents reported to the British Columbia Buildings Corporation, we found that 33% (approximately $21,000) of losses arising from those incidents had not been reported to either the branch or the ministry executive.

Reporting Losses in a Timely Manner

We concluded that most reports were not being forwarded to the Risk Management Branch within the time required by policy. During the period covered by our audit, only 31% (approximately $278,000 out of a total of $1,084,000) were forwarded within the required 48 hours.

. . . continued

Continued...

Reporting All the Required Information

We concluded that the policy on required information was being complied with in all significant respects, in that information such as the asset, the incident, the place and the cost were given on the reports.

Reporting to the Appropriate Authorities

While the branch is sending monthly summaries to our Office as required, they are not sending monthly summaries to the Office of the Comptroller General. The police were being informed, where appropriate (i.e., for losses due to fraud, theft, misappropriation or embezzlement where the loss is over $1,000, unless employee involvement is suspected and the advice of the Comptroller General is needed).

Summary of Status of Recommendations

Original Issue Date: March 1998

Years Followed Up: November 1999, June 2000

Summary of status at June 2000	OAG	PAC	Further Follow-up Required
Total Recommendations	7	N/A	1
Fully Implemented	6	N/A	0
Partially Implemented	1	N/A	1

Recommendations and Their Status

Number of recommendations in the original report	7
Recommendations requiring further follow-up	1

Partially Implemented Recommendations

- We recommend that the Risk Management Branch publish annual summarized statistics of reported government asset losses, perhaps as part of its ministry' annual report.

Ministry of Finance and Corporate Relations
May 2000 Progress Report

The Select Standing Committee on Public Accounts in the July 1998 Report recommended that the Risk Management Branch (RMB) implement the seven recommendations of the Auditor General in the Loss Reporting in Government 1997/98 Report 4, March 1998.

The branch had previously advised that five of the seven recommendations had been implemented, the following update concerns the two remaining recommendations.

Government Fleet Vehicles

Recommendation:

We recommend that the Risk Management Branch review any new arrangement concerning government vehicles and ensure that it is made clear whether or not ministries have to report loss or damage to vehicles in accordance with Treasury Board policies in the Financial Management Operating Policy Manual.

Ministry Response:

We consider this recommendation to be implemented. At the time of writing the Auditor General's report, negotiations were under way to have ownership of the government's vehicle fleet transferred to an outside party and leased back. In this leasing arrangement the government is responsible for damage to those vehicles and ministries have to report accidents in accordance with General Management Operating Policy Chapter 5.4.10.

Public Reporting

Recommendation:

We recommend that the Risk Management Branch publish annual summarized statistics of reported government asset losses, perhaps as part of its ministry's annual report.

Ministry Response:

We consider this recommendation to be partially implemented. Commencing with the Ministry of Finance & Corporate Relations' 1998/99 Annual Report, RMB has reported the amount of reported government asset losses. This reporting will continue on an annual basis. We expect to disclose additional information on losses by type of incident or by type of asset on our web page in the near future.

Appendix: Timetable of Reports Issued and Public Accounts Committee Meetings on Loss Reporting in Government

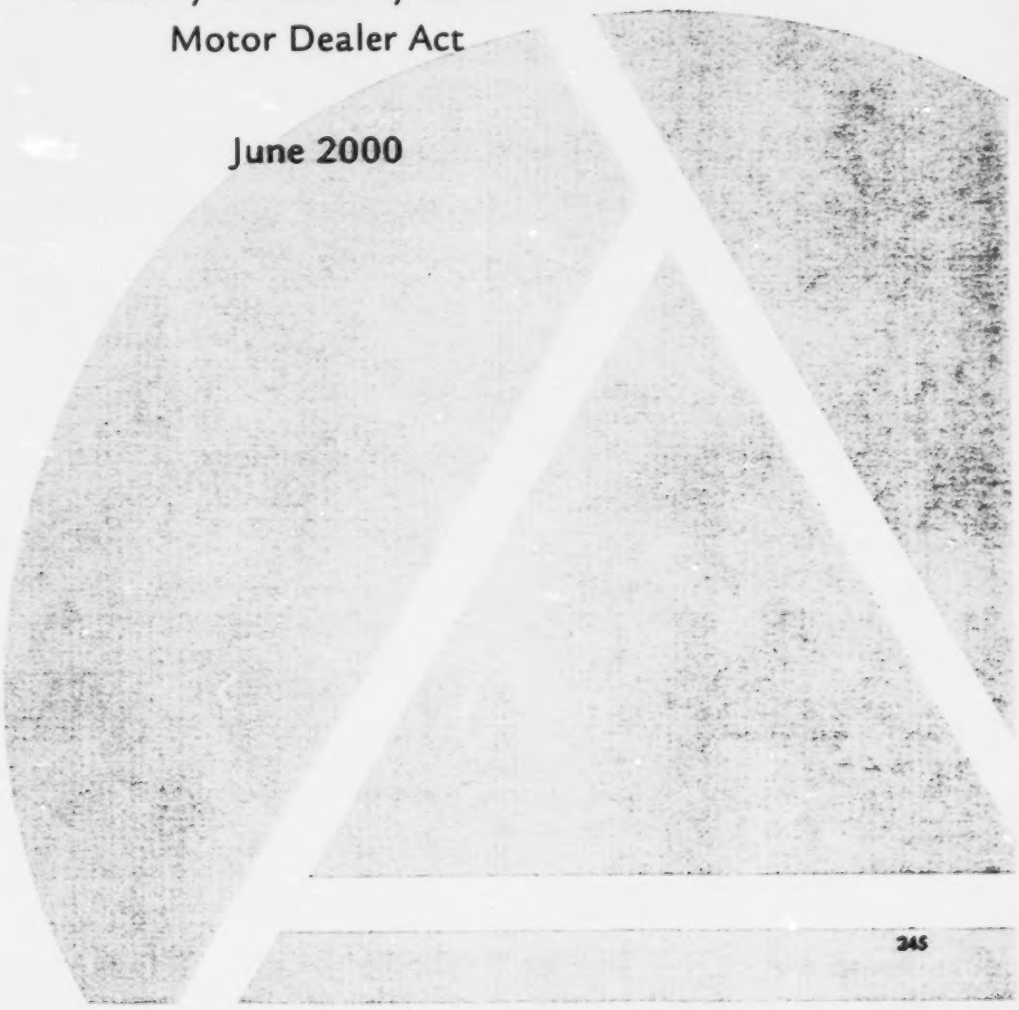
March 1998	Office of the Auditor General issues the 1998/99 Report 4: Loss Reporting in Government. The report contains seven recommendations.
June 1998	The Select Standing Committee on Public Accounts reviews the report.
July 1998	Public Accounts Committee reported the results of its review to the Legislative Assembly in its Third Report – 3rd Session 36th Parliament. The Committee's report endorsed the seven recommendations in our report and did not add any additional recommendations.
November 1999	Office of the Auditor General issued its 1999/2000 Report 9 which included the status of implementation of the recommendations. Two recommendations remained outstanding. The Committee did not review this status report.

Office of the Auditor General of British Columbia

Information provided to the Select Standing Committee
on Public Accounts regarding
the follow-up of recommendations in

1997/1998 Report 4:
Ministry of Attorney General:
Motor Dealer Act

June 2000



OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

This is our report on our June 2000 follow-up of the recommendations that remain outstanding from our 1997/1998 Report 4: Motor Dealer Act.

In accordance with our arrangement with the Select Standing Committee on Public Accounts, we wrote to the Deputy Minister, Ministry of Attorney General, in May 2000 requesting information as to the current status of the recommendations from our report that remained unresolved when we last published a status report on this audit. We received the response in May 2000.

We have reviewed the representations provided by the Deputy Minister of the Ministry of Attorney General regarding progress in implementing the recommendations that were outstanding. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the Ministry of Attorney General's progress report does not present fairly, in all significant respects, the progress made in implementing the recommendations contained in our 1997/98 report and endorsed in the Committee's report.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

June 2000

Summary of Original Report on Ministry of Attorney General: Motor Dealer Act

Audit Purpose and Scope

We carried out this audit to determine whether the Motor Dealer Act and related regulations were complied with, in all significant respects, by the Ministry of Attorney General during the months of September to December 1997, regarding the initial and ongoing registration of motor dealers and the operation of the Motor Dealer Customer Compensation Fund. We also examined the ministry's procedures for monitoring the ongoing compliance of motor dealers with the Act and regulations.

Our audit work was conducted during the months of September to December 1997, and was focused in three areas. The first phase concentrated on how new applications were processed and whether this procedure, and that for the ongoing registration of motor dealers, were in compliance with the Motor Dealer Act and regulations. This work was conducted primarily in Victoria on information sent to the Registrar by Motor Dealers.

The second phase of our work involved an examination of the procedures for monitoring compliance with the Act by motor dealers. Our intent was not to audit the industry's compliance with the Act directly, but rather to determine if the work performed by the ministry was sufficient to conclude that the industry was complying with the Act. As part of assessing the Registrar's monitoring activities, we accompanied ministry investigators on dealer inspections and, as well, performed a number of limited, unaccompanied tests. We also conducted a review of print advertising to determine if dealer advertisements were in compliance. We interviewed staff and accompanied investigators on inspections of motor dealers in Burnaby, Kamloops, Kelowna and Victoria.

We examined the files of the Motor Dealer Customer Compensation Fund in the final phase of our audit. We tested a number of successful and unsuccessful claims against the fund to determine if payments were made or denied, in accordance with governing legislative provisions. All information relating to the administration of the fund was located in Victoria.

We did not examine the ministry's compliance with sections of the legislation that describe administrative procedures not directly related to regulating the motor dealer industry.

Overall Conclusion

Overall, we found that:

- the ministry was administering the initial and ongoing registration of motor dealers in accordance with the Motor Dealer Act and regulations;
- we were not able to conclude if motor dealers in the Province of British Columbia were complying with the requirements of the Motor Dealer Act and related regulations. We found that sufficient systematic work was not being conducted by the ministry to prove whether there was ongoing compliance by motor dealers with a variety of significant aspects of the legislation;

...continued

Continued . . .

- the Motor Dealer Customer Compensation Fund was being operated in compliance with requirements of the Motor Dealer Act and the Motor Dealer Customer Compensation Fund Regulation.

Our findings should not be interpreted as meaning motor dealers are, or are not, generally complying with the Motor Dealer Act. The work performed by the ministry's investigators was not sufficient to enable us to determine whether or not the industry was operating in compliance with various aspects of the Act.

Summary of Status of Recommendations

Original Issue Date: March 1998
Year Followed Up: November 1999, June 2000

Summary of status at June 2000	OAG	PAC	Further Follow-up Required
Total Recommendations	**18**	**N/A**	**0**
Fully Implemented	18	N/A	0
Partially Implemented	0	N/A	0

Recommendations and Their Status

Number of recommendations in the original report	18
Recommendations requiring further follow-up	0

Ministry of Attorney General
May 2000 Progress Report

Review of the implementation of the Motor Dealer Act report initially tabled in March 1998 with eighteen recommendations. In the 1999/2000 report 9 of the Auditor General, ten of the eighteen recommendations were implemented or resolved. The remaining recommendations have now been addressed as follows:

Recommendation:

The Registrar of Motor Dealers provide ministry investigators with written instructions outlining the objectives of routine motor dealer inspections, minimum inspection procedures, and standard administrative practices.

Ministry Response:

Guidelines for routine motor dealer inspections have been developed and distributed and training has been completed. A portable field inspection package has been provided to inspectors.

Recommendation:

The motor dealer inspection report be revised to include details of the amount and type of work performed, and more accurate and comprehensive checklist for requirements of purchase and sale, lease, and consignment agreements.

Ministry Response:

Five new inspection reports have been developed to provide an accurate and comprehensive checklist for requirements of purchase and sale, lease, and consignment agreements; new dealer; routine; change of address; manufactured home and consignment trust inspection reports.

Recommendation:

The Registrar develop a risk-based inspection system that incorporates dealer inspection and complaint histories as a significant factor in determining the timing of subsequent inspections.

Ministry Response:

The motor dealer inspection guidelines include clear instructions to the inspectors on risk based inspections. All dealer administrative files include a summary sheet indicating any tickets; enforcement actions or investigations for Registrar review prior to renewal.

Recommendation:

During routine inspections, ministry investigators take copies of all contract forms used by motor dealers, and forward them to the Registrar for detailed review.

Ministry Response:

Ministry inspectors obtain a blank copy of the purchase, consignment and lease agreements where different than standard approved contracts.

Recommendation:

The Motor Dealer Act Inspection Report be amended to include a question about whether the advertised price of vehicles is the total asking price, inclusive of accessories and items of optional equipment that are physically attached to it, transportation charges for its delivery to the dealer, and any pre-delivery and inspection services charged by the dealer.

Ministry Response:

Total pricing of new vehicles on lot including options now included in the inspection report checklist.

Recommendation:

The Registrar of Motor Dealers require investigators to review documentation supporting lease transactions, and this requirement be incorporated into the ministry inspection reports.

Ministry Response:

Inspection guidelines amended to include a comprehensive checklist for lease requirements. A copy of unusual or unique contracts is provided for the main file and administrative review.

Recommendation:

The Registrar of Motor Dealers require ministry investigators to periodically confirm the existence and proper use of consignment trust accounts and agreements.

Ministry Response:

Specific consignment sales and trust inspection report developed that includes forms to allow for tracking of funds through the general and consignment trust account. Training provided on the use of trust accounts and testing of deposits and disbursements.

Recommendation:

The Registrar of Motor Dealers, in conjunction with the Manager of Compliance, develop guidelines for the appropriateness of issuing tickets and the laying of charges.

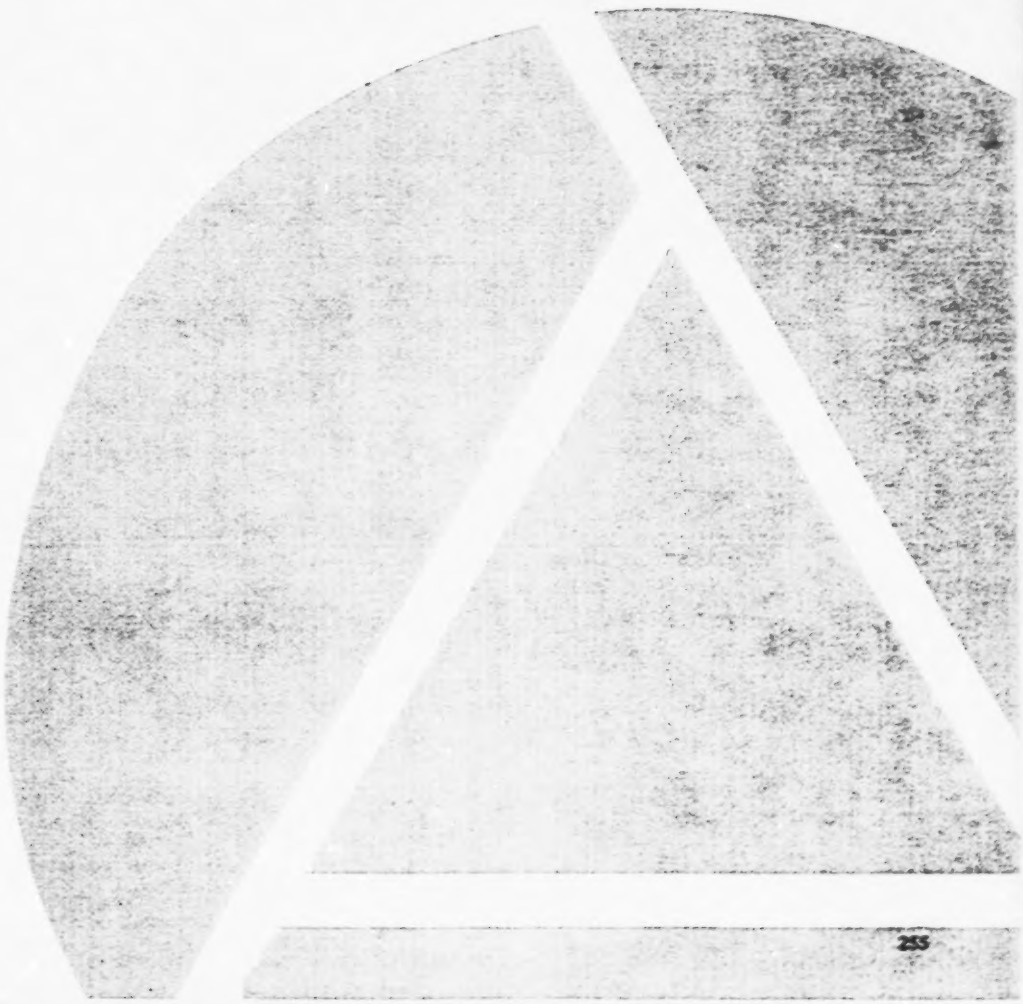
Ministry Response:

Policy and Procedures developed on Inspections vs. Investigations and violation and enforcement action.

Appendix: Timetable of Reports Issued and Public Accounts Committee Meetings on the Motor Dealer Act Report

March 1998	Office of the Auditor General issues the 1998/99 Report 4: Motor Dealer Act. The report contains 18 recommendations.
June 1998	The Select Standing Committee on Public Accounts reviewed the report.
July 1998	Public Accounts Committee reported the results of its review to the Legislative Assembly in its Third Report – 3rd Session 36th Parliament. The Committee's report endorsed the eighteen recommendations in our report and did not add any additional recommendations.
November 1999	Office of the Auditor General issued its 1999/2000 Report 9 which included the status of implementation of the recommendations. Eight recommendations remained outstanding. The Committee did not review this status report.

Appendices



Appendix A

Select Standing Committee on Public Accounts – Legislative Assembly of British Columbia: Guide to the Follow-Up Process

About the Committee:

The Select Standing Committee on Public Accounts is an all-party select standing committee of the Legislative Assembly. The committee is currently composed of 12 members, including a Chair and Deputy Chair. The committee is supported in its work by the Office of the Clerk of Committees, which provides procedural advice, and administrative and research support.

The committee's Terms of Reference include, but are not limited to, the following powers:

- Consider all reports of the Auditor General which have been referred to the committee by the Legislative Assembly
- Sit during a period in which the House is adjourned or recessed
- Send for persons, papers and records
- Report to the House on its deliberations.

Committee Meetings:

While the Legislative Assembly is in session, the committee normally meets once per week (currently every Tuesday morning from 8:30 to 10:00, although the committee can sit while the House is sitting, and during the "intersessional" period). Committee proceedings are recorded and published in Hansard, which is available on the Legislative Assembly web site at www.legis.gov.bc.ca/cmt/.

The Auditor General and the Comptroller General are officials of the committee, and are usually present at committee meetings. During meetings, representatives of the Auditor General's office make a presentation of their audit findings. Representatives of audited organizations also attend as witnesses before the committee, and provide information to the committee regarding actions taken to address the Auditor General's recommendations. Following each presentation, committee members are provided with the opportunity to ask questions of witnesses. Members of the Legislative Assembly may examine, in the same manner, witnesses, with the approval of the committee.

After initial consideration of a report, the committee often wishes to follow-up the progress made in implementing the Auditor General's recommendations, or recommendations made by the committee to the House, and adopted by the House. In the past, this has most often been done by requesting that witnesses re-attend before the committee. As well, the Office of the Auditor General often performs follow-up reviews of audited organizations. These two procedures have now been coordinated, and the new procedure is outlined below.

The Follow-up Process:

1. Following an audited organization's appearance before the committee, representatives of the Auditor General's office will contact representatives of the audited organization and request that a progress update be provided to the Office of the Auditor General within a period of time (usually 5 months).
2. Audited organizations must prepare a written response in the format noted below, and direct it to the Office of the Auditor General. In drafting the written response, organization representatives may wish to consult with the Office of the Comptroller General, and/or the Office of the Auditor General. As well, the Office of the Clerk of Committees would be pleased to answer any questions regarding the work of the committee, and committee procedure.
3. All written responses submitted by audited organizations are reviewed by the Office of the Auditor General to generally confirm the fairness of information about the progress made in implementing the recommendations contained in the Auditor General's report.
4. All written responses, and results of the Auditor General's review thereof, are provided to the Office of the Clerk of Committees for distribution to each committee member (normally 6 months after the witnesses' attendance before the committee). These materials are also provided to the audited organization and the Office of the Comptroller General.
5. Once the committee has tabled its report on the matter in the House, all written responses become public documents, and are not subject to Freedom of Information and Protection of Privacy Act procedures. Written responses, along with the Auditor General's review thereof, are also tabled in the Legislative Assembly on a bi-annual basis (March and October,

although this is subject to variation). The Clerk of Committees should be advised well in advance of any material considered to be confidential.

6. Following review of the written response and the Auditor General's comments, the committee may request that representatives of the audited organization re-appear before the committee to provide further information, or that further information be provided to the committee in written form.
7. The Office of the Comptroller General will arrange for witnesses to attend where the committee has asked for a return presentation based on the written follow-up.

Format of Written Responses:

Written follow-up information prepared by audited organizations in response to a request from the Office of the Auditor General should include the following items:

- Date of the written response
- A brief introduction to and summary of the topic being considered, including a reference to the period during which the audit was conducted, date(s) the issue was considered by the committee, and how many of the recommendations have been fully implemented, partially implemented or not implemented to date
- A brief response to each recommendation made by the Auditor General (unless specifically advised to address only particular recommendations), including all actions taken to implement each recommendation
- A workplan for implementation of the Auditor General's recommendations, including information on the means by which each recommendations will be implemented, time frames for implementation, identification of branches with primary responsibility for implementation, and procedures in place to monitor progress in implementing the recommendations
- Any other information relevant to the Auditor General's or Public Accounts Committee's recommendations, including planned or current projects, studies, seminars, meetings, etc.
- Contact information for ministry/government organization representatives who have primary responsibility for responding to the Auditor General's recommendations (name, title, branch, phone and fax numbers, e-mail address)

- The reports are to be signed by a senior official responsible for the area, normally an assistant deputy Minister or vice-president
- Reports should be relatively brief e.g. 5–10 pages but attachments are acceptable
- If guidance is needed in preparing the follow up report please contact any of the offices noted below.

Contact Information:

Office of the Clerk of Committees
Kelly Dunsdon
Committee Researcher
Phone: (250) 356-1623
Fax: (250) 356-8172

Office of the Auditor General
Doreen Sullivan
Executive Operations
Phone: (250) 356-2627
Fax: (250) 387-1230
dsullivan@oag.bc.ca

Office of the Comptroller General
Arn van Iersel
Comptroller General
Phone: (250) 387-6692
Fax (250) 356-2001
arn vanIersel@gems8.gov.bc.ca

Prepared by:
Office of the Clerk of Committees
May 23, 2000

Appendix B

Summary of Status of Recommendations at October 31, 2000

		Total	Fully Implemented	Partially Implemented	Alternative Action	No Action	Further Follow-up Required
Social Housing: Governance	AG	15	10	4	1	–	5
	PAC*	–	–	–	–	–	–
Subsidies	OAG	12	1	11	–	–	11
	PAC*	–	–	–	–	–	–
Forest Renewal BC: Planning	OAG	19	10	9	–	–	9
	PAC*	–	–	–	–	–	–
Silviculture	OAG	21	13	8	–	–	8
	PAC*	–	–	–	–	–	–
Drinking Water	OAG	26	3	22	1	–	23
	PAC	2	–	2	–	–	2
Executive Severance	OAG	4	–	–	4	–	–
	PAC	2	2	–	–	–	–
Trucking Safety	OAG	23	10	9	3	1	9
	PAC	5	3	2	–	–	2
Vancouver Island Highway Project: Planning	OAG	4	2	2	–	–	–
	PAC	3	2	–	1	–	–
Corporate Governance	OAG	1	–	1	–	–	1
	PAC	5	1	2	1	1	2
Revenue Verification of Social Service Tax	OAG	7	4	3	–	–	–
	PAC	3	–	2	1	–	–
Loss Reporting	OAG	7	6	1	–	–	1
	PAC*	–	–	–	–	–	–
Motor Dealer Act	OAG	18	18	–	–	–	–
	PAC*	–	–	–	–	–	–
Total OAG		157	77	70	9	1	67
Total PAC		20	8	8	3	1	6
Grand Total		**177**	**85**	**78**	**12**	**2**	**73**
Percentage		**100%**	**48%**	**44%**	**7%**	**1%**	**41%**

*The Select Standing Committee on Public Accounts has not yet finalized its report for these audits.

Appendix C

Office of the Auditor General: Follow-up Objectives and Methodology

Purpose of Following Up Audits

The Office conducts follow-ups in order to provide the Legislative Assembly and the public with information on the progress being made by government organizations in implementing the recommendations arising from the original work.

Performance audits are undertaken to assess how government organizations have given attention to economy, efficiency and effectiveness.

The concept of performance audits is based on two principles. The first is that public business should be conducted in a way that makes the best possible use of public funds. The second is that people who conduct public business should be held accountable for the prudent and effective management of the resources entrusted to them.

The purpose of compliance audits is to provide an independent assessment as to whether or not legislative and related authorities are being complied with, in all significant respects.

Under our Canadian system of government, laws approved by parliament and provincial legislative assemblies are of paramount importance to our society.

Acts passed by the Legislative Assembly of British Columbia, including the Supply Acts, the Financial Administration Act, the Financial Information Act, and many others, provide the government and government organizations with direction on managing resources entrusted to them by the public, and on being accountable to the Legislative Assembly for the execution of these responsibilities. These Acts, or statutes, provide the legal basis for funding, delivering and administering the Province's social, economic, environmental and other programs.

Accordingly, it is important that the government ensures compliance with these statutes and related authorities. It is also important that this compliance be independently reviewed to ascertain whether public sector activities are carried out intravires (within the scope of their authority). This is where compliance auditing plays an important role.

The Nature of Audit Follow-ups

A follow-up of an audit comprises:

1. requesting management to report the actions taken and to assess the extent to which recommendations identified in the original audit report have been implemented;
2. reviewing management's response to ascertain whether it presents fairly, in all significant respects, the progress being made in dealing with the recommendations;
3. determining if further action by management is required and, consequently, whether further follow-up work by the Office will be necessary in subsequent years; and
4. reporting to the Legislative Assembly and the public the responses of management and the results of our reviews of those responses.

The Nature of a Review

A review is distinguishable from an audit in that it provides a moderate rather than a high level of assurance. In our audits, we provide a high, though not absolute, level of assurance by designing procedures so that the risk of an inappropriate conclusion is reduced to a low level. These procedures include inspection, observation, enquiry, confirmation, analysis and discussion. Use of the term "high level of assurance" refers to the highest reasonable level of assurance auditors provide on a subject. Absolute assurance is not attainable since an audit involves such factors as the use of judgement, the use of testing, the inherent limitations of control and the fact that much of the evidence available to us is persuasive rather than conclusive.

In a review, we provide a moderate level of assurance by limiting procedures to enquiry, document review and discussion, so that the risk of an inappropriate conclusion is reduced to a moderate level and the evidence obtained enables us to conclude the matter is plausible in the circumstances.

Scope of Audit Follow-ups

The follow-ups focus primarily on those recommendations that are agreed to by management at the time of the original audit or study. Where management does not accept our original recommendations, this is reported in managements' responses to the original audit reports. Since our reports are referred to the Legislative Assembly's Select Standing Committee on Public Accounts, management's concerns with our recommendations in some cases are discussed by the committee, which may also make recommendations for future action. If the committee endorses our recommendations, we include them in a follow-up. We also include any other recommendations made directly by the committee.

Frequency of Reporting on Audit Follow-ups

To 1999

We followed up our recommendations approximately one and a half years after the reporting date of the original work. For example, the status of recommendations included in performance audit reports released in the year ended December 31, 1998 would have been reported in the spring of 2000. Where observations had critical implications for areas such as health or public safety, however, we may have requested a status report sooner. However, some prior audits may have had their follow-up review deferred to a later date because of such factors as program reorganization. Some work may not have required a follow-up as no recommendations arose.

We also did further follow-up reviews in subsequent years on significant recommendations that had not been substantially implemented at the time of our initial follow up.

From 2000

From this year onward, we will follow a new process agreed to between the Office of the Auditor General, the Office of the Controller General and the Public Accounts Committee (Appendix A).

Review Standards

We carry out our follow-up reviews in accordance with the standards for assurance engagements established by the Canadian Institute of Chartered Accountants.

Methods of Obtaining Evidence

Our reviews involve primarily enquiry, document review and discussion.

Enquiry consists of seeking appropriate information of knowledgeable persons within or outside the entity being audited. Types of enquiries include formal written enquiries addressed to third parties and informal oral enquiries addressed to persons within the entity. Consistent responses from different sources provide an increased degree of assurance, especially when the sources that provide the information are independent of each other.

Document review consists of examining documents such as minutes of senior management meetings, management plans, and manuals and policy statements to support assertions made in management's written report.

Discussion consists primarily of interviews with key management and staff, as necessary, for further verification and explanation.

Appendix D: Office of the Auditor General: 2000/01 Reports Issued to Date

Report 1

Fostering A Safe Environment: How the British Columbia School System is Doing

Report 2

Report on the Implementation of the Recommendations of the Budget Process Review Panel